

CHIP 2005-06 CONTRACT, ENROLLMENT, AND OUTREACH

A Report Prepared for the

Legislative Finance Committee

By
Lois Steinbeck

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Legislative Fiscal Division



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REPORT OBJECTIVES

This report has three objectives:

- Explain the current contract for administration of the Children's Health Insurance Program (CHIP), including the premium agreement with Blue Cross Blue Shield (BCBS) and changes due to implementation of SB 154 passed by the 2005 Legislature
- Review historic and current CHIP enrollment
- Review scenarios to increase CHIP enrollment over the next six months to one year

This report also identifies issues for Legislative Finance Committee (LFC) consideration including:

- Compliance with changes made in SB 154 (amendments to CHIP administration)
- CHIP enrollment outreach, including monthly increases necessary to reach maximum enrollment by July 1, 2006
- Department of Public Health and Human Services (DPHHS) plans to analyze self-administration of CHIP over the next several months

BACKGROUND INFORMATION

DPHHS reached an agreement with BCBS to administer medical benefits¹ for CHIP from October 1, 2005 through September 30, 2006 on October 27, 2005. The final contract was signed November 18, 2005. The parties signed a contract extension to continue BCBS program administration for up to 90 additional days since the 2004-05 contract expired October 1, 2005.

There are several important changes to the CHIP contract and each change is summarized in this report:

- Increased premium costs
- Implementation of a shared risk premium
- Implementation of SB 154

The premium costs will have a direct impact on the number of children that can be covered under CHIP and enrollment in CHIP is directly related to outreach activities undertaken by DPHHS. Therefore, the report also reviews:

- CHIP enrollment with respect to the number of children that can be enrolled based on various premium rates
- Current enrollment and outreach efforts
- Outreach efforts to fill up to 4,600 CHIP slots by July 1, 2006 due to:
 - An estimated 3,000 children moving from CHIP coverage to Medicaid due to HB 552, which raised the Medicaid family asset test for children from \$3,000 per family to \$15,000
 - 1,600 new slots coming on line if the Section 1115 Medicaid Waiver proposal is approved²

¹ DPHHS administers dental and vision benefits. All other medical services provided through CHIP are managed by BCBS. During FY 2005, the incurred per member per month dental cost for CHIP was \$10.54 and for vision it was \$0.37.

² The new CHIP slots due to the waiver will be funded from federal Medicaid funds and state general fund or state special revenue match. The benefits offered will be the same as the CHIP benefit, just funded from a different federal source.

INCREASED CHIP PREMIUM

The most recent agreement between DPHHS and BCBS results in a minimum premium increase of 6 percent, with DPHHS sharing part of any claims costs above 6 percent up to a maximum increase of 11.9 percent. If claims costs exceed 11.9 percent growth, then BCBS would be entirely at risk for any costs above the 11.9 percent threshold. Claims cost increases are calculated by comparing 2005-06 contract experience to costs incurred in the 2004-05-contract year.

Premium increases are calculated beginning with the base BCBS premium of \$117.94 per CHIP enrollee per month in the 2004-05-contract period. So, the minimum premium paid to BCBS would be \$125.02 if 2005-06 contract year claims costs do not exceed 106 percent of claims costs in the previous year.

Figure 1 shows the minimum premium cost and examples of premiums that could occur under the contract agreement and the number of children that could be insured annually from the \$21.5 million appropriation for CHIP services in FY 2006. The specific elements of Table 1 are:

- The premium for the previous contract year (2004-05) – item 1
- The minimum increase for the BCBS premium for 2005-06 – item 2
- The premium payable under the most recent claims experience (6.22 percent increase in claims costs over the previous two years) – item 3
- Several examples to demonstrate the premium cost under the shared risk concept if future claims exceed the previous year’s costs by more than 6 percent – items 4, 5, and 6
- The total monthly cost for CHIP since dental and vision services are not part of the BCBS contract or premium payment
- The total number of children that could be insured annually based on the FY 2006 benefit appropriation for each premium example

Figure 1 CHIP Premium Cost and Potential Enrollment for FY 2006 with Examples of Premium and Enrollment if Claims Costs Increase Beyond 6%								
Quarter-FY 2006/ Premium Examples	BCBS Base Premium	Shared Risk BCBS Premium		Percent Change		Total Premium*	Annual # of Children Covered FY 2006**	
		Increment	Total	Increment	Total		Total	Reduction
1. First Qtr Last Three Qtrs	\$117.94					\$128.85	13,925	
2. Base Premium	125.02	\$7.08	\$125.02	6.0%	6.0%	135.93	13,316	(609)
3. Recent Experience - 6.22%		0.19	125.21	0.2%	6.2%	136.12	13,300	(625)
Premium if Claims Increase:								
4. 9%		2.65	127.67	2.2%	8.3%	138.58	13,101	(824)
5. 10%		2.95	127.96	2.5%	8.5%	138.87	13,077	(848)
6. 11.9% (Maximum Cost)		3.51	128.53	3.0%	9.0%	139.44	13,033	(892)

Notes:
 DPHHS and BCBS share premium cost increases above 6 percent. From 6 to 9 percent, DPHHS pays 75 percent of the cost increase. From 9 to 11.9 percent, DPHHS pays 25 percent of the increase. BCBS is solely liable for any increases beyond 11.9 percent.
 *The total premium includes dental and vision coverage, which is managed by DPHHS and not included in the BCBS premium. The FY 2005 cost of \$10.91 for vision/dental is assumed to remain the same during FY 2006
 **The annual number of children covered includes only the number that can be funded from the FY 2006 appropriation. It does not include the 1,600 additional slots that will be funded if the 1115 Demonstration Waiver is approved.

ENROLLMENT ASSUMING DIFFERENT PREMIUMS

If there were no premium increase between the previous and current contract year (item 1 in Figure 1), the FY 2006 CHIP benefits appropriation could support 13,925 children for a full year – 25 more than anticipated by the 2005 Legislature when it made the appropriation. If claims costs do not grow above 6 percent, the FY 2006 appropriation could support 13,316 children for a full year or 609 children fewer than if the premium had remained constant. If claims costs exceed an 11.9 percent increase (item 6), 13,033 children could be supported or about 900 fewer than could be supported if the premium had remained constant. The premium and enrollment examples also assume no change in the cost of dental and vision care from the previous year (\$10.91 per month).

The shared risk agreement calls for DPHHS to pay 75 percent of the cost of claims cost increases above 6 percent but below 9 percent and 25 percent of the costs if claims costs grow above 9 percent. BCBS would bear all cost increases above 11.9 percent.

The most recent claims experience is exceeding the 6 percent minimum cost increase by about a quarter of 1 percent. That claims experience would require a premium increase of about \$0.11 and reduce the number of children that can be covered by 10 or a total reduction of 619 from the 13,925 level (item 3). Legislative staff has requested that DPHHS provide the most recent claims experience through October 2005 for LFC consideration at the December meeting. Legislative staff will update the committee on potential premium changes and enrollment impacts at that time.

OTHER CONTRACT PROVISIONS

Some of the most important changes in the contract with BCBS occur due to passage of SB 154 by the 2005 Legislature. The changes discussed in this report that were enacted by SB 154:

- Allow DPHHS to self administer CHIP and struck the requirement that an insurer be offered an opportunity to negotiate a contract price prior to DPHHS operating CHIP on a fee for service basis
- Limit administrative costs for:
 - Self-administration to the lesser of 10 percent or allowable federal limitations
 - Contracted administration for a fully insured plan to 12 percent, including assessments for risk
- Limit the surplus retained by an entity that provides a fully insured plan to 50 percent of the risk charges
- Require that any contract surplus returned to DPHHS or unexpended amounts from the appropriation for CHIP be deposited into a state special revenue account to be used to:
 - Cover additional children
 - Expand eligibility within statutory limits³
 - Reduce premiums, or
 - Establish and maintain a reserve

³ Montana CHIP eligibility criteria are:

- Children may not be eligible for Medicaid
- Family income may be no more than 150 percent of the federal poverty level (\$29,025 for a family of four in 2005)
- Children of state employees are not eligible
- Children are not eligible if the family has creditable health coverage as federally defined
- Children must be younger than 18
- Children must be a United States citizen or qualified alien and a Montana

Administrative Cost

The premium payment to BCBS includes the full 12 percent allowed by statute for administrative costs including risk charges. Figure 2 shows the 2005-06 base level premium and its components. The base level monthly premium is \$125.02. Claims costs comprise \$110.02 (88 percent) of the premium and administrative reimbursement is \$15.00 (12 percent) of the total. Risk charges are included in the administrative portion of the premium payment and are equal to 2 percent of the total premium payment or \$2.50. Figure 2 also shows the components of the premium payment allocated to claims costs, administrative costs, and risk charges for claims experience scenarios that exceed the base premium.

Premium/Component	Base at 6% Incr.	Shared Risk - Different Claims Cost		
		Incr. @ 9%	Incr. @ 10%	Incr. @ 11.9%
Total Monthly Premium - BCBS	\$125.02	\$127.67	\$127.96	\$128.53
Claims Cost @ 88%	110.02	112.35	112.61	113.10
Total Administrative Cost @ 12%	15.00	15.32	15.36	15.42
Risk Charge @ 2%	<u>2.50</u>	<u>2.55</u>	<u>2.56</u>	<u>2.57</u>
Net Administrative Cost @ 10%	12.50	12.77	12.80	12.85

Surplus Calculation for 2004-05 Contract

BCBS has agreed to credit DPHHS 100 percent of the 2004-05 surplus in the reserve account established in the previous contract. The amount of the surplus will be calculated at the end of the claims run-out period. An agreement on the disposition of the reserve account balance pursuant to the modified retention agreement in the 2004-05 contract is being finalized.

Attachment 10

Changes to the CHIP administration contract are embodied in Attachment 10, which was signed November 18, 2005. In addition to the premium increase and shared risk arrangement, Attachment 10 includes provisions to implement changes made by SB 154.

Legislative legal staff reviewed selected sections of Attachment 10 (while it was still in draft form) as requested by an interested legislator. Legal staff determined that several sections of the draft document appeared to violate 53-4-1007, MCA. Both the staff opinion and the final draft of Attachment 10 are appended to this report. Specifically, the legal staff review concluded that the contract could not:

- Preclude an audit of BCBS administrative costs for the CHIP contract
- Assume that if 88 percent or more of the premium income were spent on claims costs, that the remainder was spent entirely for purposes allowed by and enumerated in 53-4-1007(3), MCA and therefore spent in compliance with statute

The final draft of Attachment 10 addresses both issues raised by legal staff by rewording several sections. For instance, the original draft stated that the contractor was not subject to audit by DPHHS and that DPHHS would assume that if 88 percent of the premium were expended on claims costs that the balance was spent on administrative costs, including risk charges.

Despite changes to Attachment 10, there are still some sections that may be problematic.

BCBS to Retain all Administrative and Risk Charges

Attachment 10 states that BCBS may retain all amounts paid as administrative costs and risk charges and that the charges are not subject to retroactive adjustment. Section 4.B. on the pages 4 and 5 of Attachment 10 states:

The parties agree that the per month per enrollee CHIP Premium Administrative Expense Amount payable by the Department to the Contractor is not subject to retroactive adjustment or settlement based upon review or audit of Contractor's cost information or other financial data except as specifically provided in this Attachment 10. The Contractor shall be entitled to retain the CHIP Premium Administrative Expense Amount portion of the CHIP Premium, including all Risk Charges, regardless of whether there is a Surplus, Deficit or Zero Account Balance for the Contract year.

Calculation of Surplus for 2005-06 Contract

Attachment 10 describes how surplus balances will be determined. The surplus is dependent on claims experience only and assumes that the premium portion for administrative costs is fully expended on administration and risk charges. If the claims payment surplus exceeds 50 percent of the risk charge, then BCBS would remit the amount above that level. However, if the surplus is below 50 percent of the risk charge, there would be no remittal to DPHHS.

Legal Opinion Requested

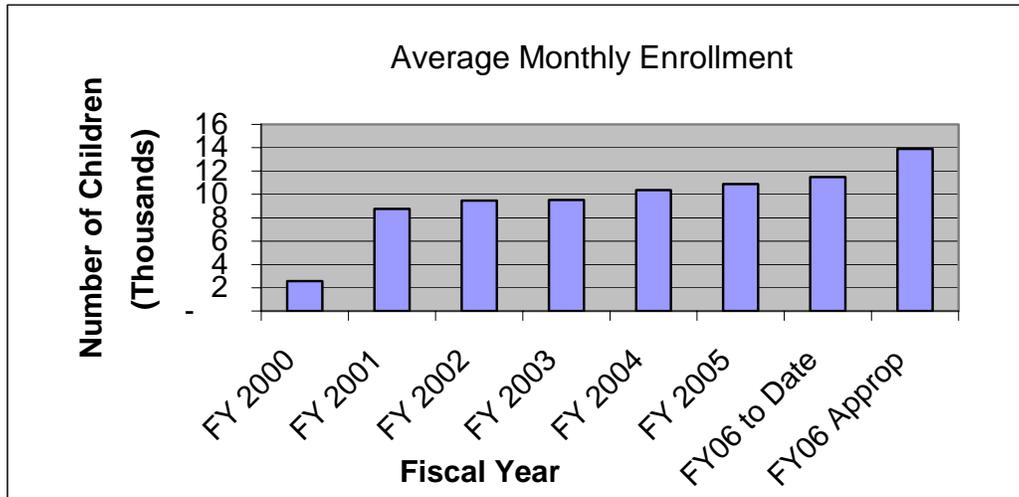
Legislative fiscal staff has requested a legal review of both the contract provision that allows unqualified retention of administrative and risk charges, and the contract method to calculate the surplus. Section 53-4-1007(5)(b)(ii), MCA defines surplus account balance to mean "funds that remain after all claims and all administrative expenses have been paid for a claim period". 53-4-1007(3)(c) defines administrative costs to include risk charges, any applicable assessments, fees, and taxes, and direct and indirect costs allowed by 33-22-1514, MCA. Direct and indirect expenses include a prorated reimbursement for the portion of the contractor's administrative, printing, claims administration, management, and building overhead expenses, which are assignable to the maintenance and administration of CHIP administration. The legal opinion will address whether DPHHS can exclude administrative cost review from determination of the amount of surplus remaining and allow the contractor to retain all administrative cost reimbursements without knowing how the funds were spent or how much of the funds were spent on CHIP administration. That opinion will be shared with the LFC at its December meeting.

CHIP ENROLLMENT

The 2005 Legislature established a CHIP appropriation that anticipated a 3 percent premium increase with the goal of providing services to 13,900 children, up from an enrollment of 10,898 during FY 2005 and 10,364 in FY 2004. The legislature also structured the CHIP appropriation to include about \$2 million more general fund than requested by the Governor, offsetting \$2 million in cigarette tax revenue and donation income in the executive budget request.

CHIP enrollment stood at 11,808 as of November 1, 2005, or about 2,100 fewer children than anticipated by the legislature. Figure 3 shows the annual monthly CHIP enrollment since its inception in FY 2000.

Figure 3



CURRENT ENROLLMENT

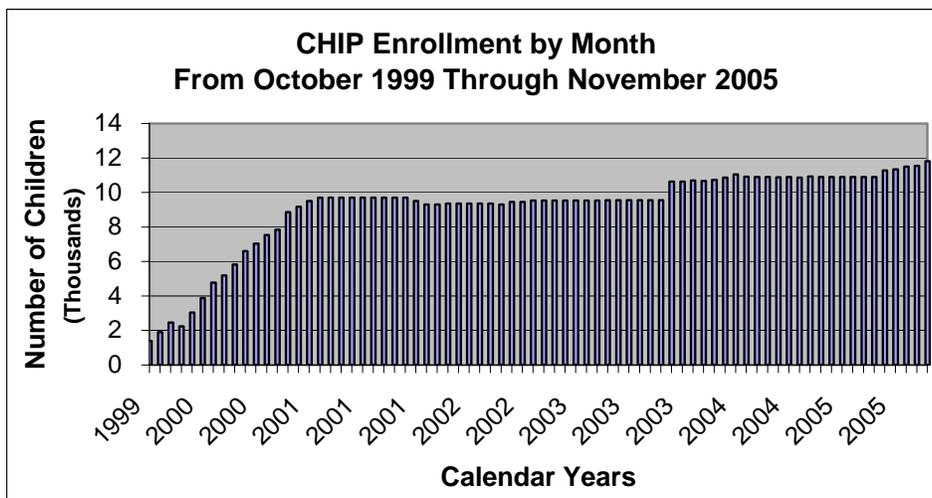
The last two bars in the graph in Figure 3 show actual monthly enrollment to date in FY 2006 compared to the annual enrollment level anticipated by the legislature. DPHHS believes that it can still raise enrollment to 13,900 despite premium increases, because enrollment increases have lagged, creating an appropriation “cushion”.

As of November 1, 2005, CHIP enrollment was 11,808 with no waiting list. DPHHS staff testified during session that enrollment would be gradually increased. In order to reach the 13,900 level by fiscal year end, 262 number of children would need to enroll each month.

CHIP OUTREACH

Figure 4 shows monthly enrollment in CHIP since its inception in October 1999. Enrollment growth was most rapid and most sustained over the first 18 months of the program, with another notable jump between FY 2003 and FY 2004.

Figure 4



DPHHS has undertaken some outreach efforts to increase CHIP enrollment during the first part of FY 2006. Information packets were provided to schools to be sent home with children. Additionally, presentations have been made at many meetings. However, outreach has been lower key than in previous efforts to aggressively boost enrollment levels. For instance, DPHHS has not undertaken TV campaigns or other higher profile efforts to advertise CHIP enrollment as it did in the fall of 2000.

DPHHS staff, as part of its review of this report, asked that the following outreach efforts be included in the report:

In August 2005 DPHHS introduced a new, shorter application form with the goal of making it much easier for families to apply. DPHHS has partnered with hospitals, community health centers, pharmacies, and individual physicians’ offices to promote CHIP directly to their patients. This new distribution network for applications and informational brochures will reach potential CHIP families who may not otherwise seek insurance through traditional distribution points, i.e., county public assistance offices. The feasibility of a media campaign is being explored.⁴

TOTAL FY 2007 CHIP ENROLLMENT ANTICIPATED DURING SESSION

The 2005 Legislature anticipated that by the beginning of FY 2007, CHIP enrollment would increase another 1,800 slots to a total of 15,700. The new slots would be due to approval of the Section 1115 Medicaid Demonstration Waiver.⁵ The draft of the Section 1115 Demonstration Waiver out for public comment points out that revised cost estimates required some “fine tuning” of the expansions included in the waiver, which resulted in lowering the number of new CHIP slots by 200 for a net total enrollment of 15,500.

⁴ Jackie Forba, Chief, Health Care Resources Bureau, Health Resources Division, electronic communication, November 29, 2005.

⁵ DPHHS staff testified to the Health and Human Services Joint Appropriation Subcommittee that the new CHIP like slots would offer the same benefits and use the same eligibility limits as the current CHIP program. However, the new CHIP slots included as part of the waiver would be funded from Medicaid funds rather than CHIP funds, since the CHIP federal grant would be fully expended prior to the waiver expansion.

However, in addition to the new slots the legislature anticipated there would be about 3,000 CHIP slots newly available for enrollment due to passage of HB 552, which increased the family asset limit from \$3,000 to \$15,000 for Medicaid eligibility for children. The asset limit changes July 1, 2006.

So, starting July 1, 2006, there will be about 4,600 slots available for new enrollees in CHIP.

DPHHS OUTREACH PLANS

As noted earlier, DPHHS outreach efforts to raise CHIP enrollment to date appear to be inadequate to increase enrollment sufficiently to fill open slots in July 2006. If DPHHS were to attempt to sign up enough children to maximize enrollment during July 2006, it would need to add about 837 children each month compared to an average enrollment increase of about 182 per month since this last July. Enrolling 837 children each month would create a waiting list in February. Although some policy makers do not consider waiting lists a desirable outcome, this type of approach would enable DPHHS to enroll children during July 2006. This approach would ensure that as many children were enrolled in CHIP as soon as possible, which seemed to be the legislature's desired outcome.

DPHHS has exceeded an 837 monthly enrollment level in CHIP only four times since October 1999 and has exceeded a monthly enrollment of 700 only two other times. The two largest numbers of children ever added in a single month both exceeded 1,000:

- When CHIP was first started, 1,389 children were added the first month
- When children were moved from the waiting list, 1,081 were added in November 2003

DPHHS does have an outreach plan, but it is not specific with regard to what enrollment goals it expects to obtain nor any specific timetable for enrollment increases. The current outreach plan is attached (see Attachment 2). DPHHS will have a revised outreach plan for discussion at the LFC meeting.

Other components of the current outreach campaign include e-mail alerts to entities and eligibility workers that there are CHIP slots available and a speaking schedule to convey similar information at selected public meetings. The last component of the outreach campaign notes that

DPHHS ADMINISTRATION OF CHIP

DPHHS indicated that it was researching the viability of self-administration of the CHIP program at the October LFC meeting. DPHHS expects to conclude its research and make a final decision in February 2006.⁶

DPHHS staff has expressed several concerns regarding administration of CHIP. One frequently expressed apprehension is the state assumption of the risk to cover unanticipated high cost cases. Historically, the state has contracted for insurance coverage and has not been at risk for costs that exceeded premiums paid for medical services. If DPHHS administers CHIP it will be at full risk. DPHHS would need to choose whether to cut spending thereby reducing enrollment or to request a supplemental appropriation if costs exceeded the appropriation.

One solution cited by DPHHS staff to avoid enrollment reductions and covering unexpected costs would be to create a reserve fund or to purchase stop loss insurance. Either of these suggestions would require that funds be used to cover the potential for high cost cases rather than expanding or maintaining enrollment.

⁶ John Chappuis, Deputy Director of DPHHS and State Medicaid Director, personal conversation, November 8, 2005.

SB 154 created a state special revenue fund that may be used to establish and maintain a reserve. Any surplus remaining from a contract with an insurance company to administer CHIP must be deposited into the account.

The statute (53-4-102(3), MCA) also states that "...The department shall transfer the unexpended balance of an appropriation" into the state special revenue account. LFD staff has asked for legal clarification of the meaning of what appropriation balances must be deposited in the account and how this statute interacts with other appropriation statutes such as transfer of appropriation authority among programs.

Another concern with self-administration is the federal cap on participation in administrative costs, which can be no more than 10 percent. The Centers for Medicare and Medicaid Services (CMS) has confirmed that premiums for private health care insurance coverage are considered primary expenditures for child health assistance and are not subject to the 10 percent cap on administrative expenditures. States are not required to separate out the administrative portion of their payments to insurer or health plans, nor do they have to include insurance administration costs as part of the state administrative costs.

Under self-administration, if administrative costs were to exceed the cap, the amount in excess of 10 percent would have to be paid entirely from state funds.⁷ However, preliminary research indicates that ongoing administrative costs would not be as problematic as the initial start up costs, for example as system development, in terms of exceeding the 10 percent federal participation cap.

One consideration leading DPHHS to evaluate self-administration is the number of children that could be covered by lowering total program administrative costs. DPHHS administrative costs for CHIP total 7.3 percent⁸ of the FY 2006 appropriation for CHIP. BCBS administrative costs, including risk charges, total about 7.9 percent of the total FY 2006 appropriation assuming:

- The premium increase does not exceed 6 percent
- The total number of children enrolled reaches 13,900 by February 2006

Using those assumptions, if total program administrative costs were limited to 10 percent, there would be another \$1.5 million that could be used for program benefits. Enrollment could be increased about 1,000 children per month at the average medical cost of \$120.93 per child.⁹ This estimate does not include any enrollment reductions that would occur if a reserve fund were established by lowering current appropriation levels.

ISSUES FOR LFC CONSIDERATION

There are several issues that the LFC may wish to consider:

- The DPHHS plan for CHIP enrollment
- The option of DPHHS administration of CHIP
- The legal opinion requested by staff

Each of these issues is briefly summarized and potential actions that the LFC may consider are listed.

⁷ The state match for the CHIP program is about 20 percent. CHIP is funded from a fixed federal grant that requires a state match linked to each state's Medicaid match rate.

⁸ DPHHS staff notes that actual administrative costs are about 6 percent of total program expenditures at this time. Rebecca Beckert-Graham, Fiscal Bureau Chief, Health Resources Division, DPHHS, electronic communication, November 29, 2005.

⁹ The average medical cost is equal to the contract premium allocated to services - \$110.02 – and the cost of dental and vision coverage - \$10.91.

ISSUE 1: CHIP ENROLLMENT

There are several issues related to CHIP enrollment:

- A) Does the LFC wish to request that DPHHS ramp up its efforts to increase CHIP enrollment for FY 2006 to the level anticipated and funded by the 2005 Legislature and if so how quickly should the 13,900 level be reached?
- B) Does the LFC wish to request that DPHHS make a concerted effort to create a waiting list to enroll a certain number of children effective July 1, 2006?
- C) If the LFC desires a more aggressive enrollment effort by DPHHS, does it wish to request that DPHHS prepare a specific follow up report with specific goals and milestones on how it will accomplish enrollment objectives?

ISSUE 2: DPHHS ADMINISTRATION OF CHIP

There are several issues related to DPHHS administration of CHIP:

- A) Does the LFC wish to review and evaluate the DPHHS research regarding state-administration of CHIP at a future meeting?
- B) Does the LFC wish to focus on only certain aspects of state-administration if DPHHS opts to move in that direction? For instance, creation of a reserve fund would be one issue.

ISSUE 3: LEGAL OPINION REGARDING ATTACHMENT 10 AND 53-4-1012(3), MCA

Staff will summarize the legal opinion that was requested. The LFC can decide whether to take any action or what types of actions might be appropriate based on the staff review.

ATTACHMENT 10: ADMINISTRATIVE EXPENSES AND YEAR-END ACCOUNT BALANCE

1. No Modified Retention Agreement for Current Contract Year. The parties agree and acknowledge that the Modified Retention Agreement, Attachment 10 to the 2004-05 CHIP Agreement (the “Modified Retention Agreement”), has expired effective at the end of the October 1, 2004 – September 30, 2005 Contract Year and has not been renewed by the parties for the October 1, 2005 through September 30, 2006 Contract Year. The disposition of the Reserve Account balance pursuant to the Modified Retention Agreement has been resolved by separate agreement of the parties.

2. Compliance With the Requirements of SB 154, 59th Legislature, 2005 Regular Session. To implement the CHIP program during fiscal year 2006, the Department is purchasing health coverage for eligible children from an insurance company through premiums as provided for in §53-4-1007 (2) (b), MCA. Contractor is an insurance company contracting with the Department to provide a fully insured contract as that term is used in § 53-4-1007 (5), MCA. The parties intend to comply with all the requirements of SB 154, 59th Legislature, 2005 Regular Session. This Attachment 10 states the parties understanding of the statutory requirements in SB 154. In the event that a court of competent jurisdiction determines that all or any part of this Contract or this Attachment 10 fails to comply with SB 154, either party may terminate the contract upon 30 days advance written notice.

3. Definitions. As used in this Attachment 10, the following definitions apply:

(i) “Account Balance” means the difference between the amount paid by or due from the Department to the Contractor for the CHIP Premium Claims Amount and the amount paid by the Contractor in Paid Claims, calculated on a Contract Year basis in accordance with Paragraph 6 of this Attachment 10. An Account Balance may be a Surplus Account Balance, a Zero Account Balance, or a Deficit Account Balance. The Account Balance is calculated for the Contract Year in accordance with Paragraph 6 of this Attachment 10, using either the CHIP Interim Premium or the CHIP Final Premium, as applicable.

(ii) “Assessments, Fees and Taxes” means all assessments, fees and taxes payable by Contractor with respect to the CHIP program, and includes but is not limited to assessments and fees for MCHA and the genetics program tax.

(iii) “CHIP Premium” means the payment by the Department to the Contractor under this Contract of a set dollar amount per enrollee per month, as provided in this Attachment 10. The CHIP Premium includes a CHIP Premium Claims Amount that is equal to 88% of the CHIP Premium and a CHIP Premium Administrative Expense Amount that is equal to 12% of the CHIP Premium. For purposes of premium payments during the Contract Year, the CHIP Premium is the CHIP Interim Premium. For purposes of final settlement for the Contract Year, the CHIP Premium is the CHIP Final Premium. This Contract provides for the purchase of fully insured health coverage and

ATTACHMENT 10: ADMINISTRATIVE EXPENSES AND YEAR-END ACCOUNT BALANCE

related administrative services from Contractor on a negotiated per enrollee per month CHIP Premium basis. The Department's payments to Contractor under the Contract are not made on the basis of and, except as specifically provided herein with respect to any Surplus Account Balance or the CHIP Final Premium, do not depend upon the actual costs incurred by Contractor to provide the insurance and related administrative services described herein.

(iv) "CHIP Interim Premium" means the payment by the Department to the Contractor of \$125.02 per enrollee per month during the Contract Year and subject to the CHIP Final Premium determination provided for in Paragraph 10 of this Attachment 10. The CHIP Interim Premium includes a CHIP Premium Claims Amount of \$110.02 per enrollee per month and a CHIP Premium Administrative Expense Amount of \$15.00 per enrollee per month.

(v) "CHIP Final Premium" means the CHIP Premium determined after the close of the Contract Year according to the methodology specified in Paragraph 10 of this Attachment 10.

(vi) "CHIP Premium Administrative Expense Amount" means the portion of the CHIP Premium allocated to reimburse the Contractor for expenses identified in Mont. Code Ann. § 53-4-1007 (3). These expenses are Direct and Indirect Expenses, Risk Charges, and Assessments, Fees and Taxes. The interim CHIP Premium Administrative Expense Amount of \$15.00 per enrollee per month includes a Risk Charge of \$2.50 per enrollee per month. The Risk Charge is 2% of the CHIP Premium. The CHIP Premium Administrative Expense Amount is 12% of the CHIP Premium. In the event that the CHIP Final Premium is greater than the CHIP Interim Premium, the CHIP Final Premium will include a CHIP Premium Administrative Expense Amount per enrollee per month that is equal to 12% of the CHIP Final Premium and such CHIP Premium Administrative Expense Amount per enrollee per month will include a Risk Charge per enrollee per month that is equal to 2% of the CHIP Final Premium.

(vii) "CHIP Premium Claims Amount" means the portion of the CHIP Premium that is not the CHIP Premium Administrative Expense Amount and that must be used by the Contractor only for Paid Claims, the Contractor's Retention Amount, if any, and the Department's Remainder Amount, if any, as provided in this Attachment 10. The amount of \$110.02 per enrollee per month is included in the monthly per enrollee CHIP Interim Premium to pay the Contractor the CHIP Premium Claims Amount. The CHIP Premium Claims Amount of \$110.02 per enrollee per month is 88% of the total CHIP Interim Premium. In the event that the CHIP Final Premium is greater than the CHIP Interim Premium, the CHIP Final Premium will include a Chip Premium Claims Amount per enrollee per month that is increased in accordance with the provision of Paragraph 10.

ATTACHMENT 10: ADMINISTRATIVE EXPENSES AND YEAR-END ACCOUNT BALANCE

(viii) “Contract Year” means the period beginning October 1, 2005 and ending September 30, 2006.

(ix) “Contractor’s Retention Amount” means the lesser of (I) the Surplus Account Balance or (II) .50 times the total Risk Charges paid or due for the Contract Year. The Contractor’s Retention Amount is calculated in accordance with Paragraph 7 of this Attachment 10.

(x) “Deficit Account Balance” means a negative Account Balance for the Contract Year calculated in accordance with paragraph 6 of this Attachment 10.

(xi) “Department’s Remainder Amount” or “Remainder” means the positive amount, if any, remaining after the Contractor’s Retention Amount is subtracted from the Surplus Account Balance. The Department’s Remainder Amount is calculated in accordance with Paragraph 7 of this Attachment 10.

(xii) “Direct and Indirect Expenses” means all of the Contractor’s direct and indirect CHIP program expenses, including but not limited to administrative, printing, claims administration, management, and building overhead expenses. Direct and Indirect Expenses do not include Paid Claims.

(xiii) “Paid Claims” means, for purposes of calculating the Account Balance, the Contractor’s Retention Amount, the Department’s Remainder Amount, or the CHIP Final Premium, all claims expenditures for enrollee benefits for dates of service during the Contract Year that are both submitted to Contractor within the 12-month timely filing period provided in the Evidence of Coverage and paid by the Contractor, adjusted as follows. For purposes of calculating Paid Claims, claims expenditures shall include Blue Card fees and expenses. For purposes of calculating Paid Claims, claims expenditures shall be reduced by all applicable recoveries, rebates, including pharmacy rebates, and other amounts collected by Contractor related to claims for enrollee benefits. These amounts shall include, but are not limited to, third party liability recoveries, coordination of benefits recoveries, casualty recoveries and pharmacy rebates.

(xiv) “Risk Charge” means the portion of the CHIP Premium Administrative Expense Amount allowed in the Contract for assuming the risk. For purposes of the CHIP Interim Premium, the Risk Charge is the amount of \$2.50 per enrollee per month and is included in and part of the \$15.00 per enrollee per month CHIP Premium Administrative Expense Amount. In the event that the CHIP Final Premium is greater than the CHIP Interim Premium, the CHIP Final Premium will include a CHIP Premium Administrative Expense Amount per enrollee per month that is equal to 12% of the CHIP Final Premium and such CHIP Premium Administrative Expense Amount per enrollee per month will include a Risk Charge per enrollee per month that is equal to 2% of the CHIP Final Premium.

ATTACHMENT 10: ADMINISTRATIVE EXPENSES AND YEAR-END ACCOUNT BALANCE

(xv) “Run-Out Period means the time period starting upon the end of the Contract Year and expiring at the end of the twelfth calendar month after the end of the Contract Year.

(xvi) “Surplus Account Balance” means funds that remain after all Paid Claims and CHIP Premium Administrative Expense Amounts have been paid for the Contract Year. A Surplus Account Balance is a positive Account Balance for the Contract Year calculated in accordance with paragraph 6 of this Attachment 10, using either the CHIP Interim Premium or the CHIP Final Premium, as applicable. In the event that the CHIP Final Premium is greater than the CHIP Interim Premium, there is no Surplus Account Balance for the Contract Year for purposes of this Attachment 10.

(xvii) “Zero Account Balance” means a zero Account Balance for the Contract Year calculated in accordance with paragraph 6 of this Attachment 10, using either the CHIP Interim Premium or the CHIP Final Premium, as applicable. In the event that the CHIP Final Premium is greater than the CHIP Interim Premium, the Account Balance shall be deemed to be a Zero Account Balance for the Contract Year for purposes of the year end-account balance reports and remittances required in Paragraph 5 of this Attachment 10 and for purposes of Paragraphs 7, 8 and 9 of this Attachment 10.

4. CHIP Premium Includes Administrative Fee.

A. The CHIP Interim Premium in the amount of \$125.02 per enrollee per month includes a CHIP Premium Administrative Expense Amount of \$15.00 per enrollee per month. The CHIP Premium Administrative Expense Amount constitutes payment by the Department for all of the Contractor’s Direct and Indirect Expenses, Risk Charges, and Assessments, Fees and Taxes incurred in providing health coverage and related administrative services under the Contract. In the event that the CHIP Final Premium is greater than the CHIP Interim Premium, the CHIP Final Premium will include a CHIP Premium Administrative Expense Amount per enrollee per month that is equal to 12% of the CHIP Final Premium.

B. The \$15.00 per enrollee per month CHIP Premium Administrative Expense Amount (or such higher dollar amount as may be applicable in the event the CHIP Final Premium is greater than the CHIP Interim Premium) is a monthly per enrollee premium payment agreed to by the Contractor and the Department as a term of this Contract. It is not a cost-based reimbursement. The parties agree that the per month per enrollee CHIP Premium Administrative Expense Amount payable by the Department to the Contractor is not subject to retroactive adjustment or settlement based upon review or audit of Contractor’s cost information or other financial data except as specifically provided in this Attachment 10. The Contractor shall be entitled to retain the CHIP Premium Administrative Expense Amount portion of the CHIP Premium, including all Risk

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Charges, regardless of whether there is a Surplus, Deficit or Zero Account Balance for the Contract Year. The CHIP Premium Administrative Expense Amount is subject to withholding or recovery by the Department only as provided in Sections 8 and 10 of the contract and subject to the provisions of this Attachment 10.

5. Year-End Account Balance Calculation – Report and Remittance.

Within a reasonable time following expiration of the Contract Year and after estimating the CHIP Final Premium according to Paragraph 10.H(i) of this Attachment 10, the Contractor shall calculate and notify the Department of the estimated Account Balance, the Contractor’s Retention Amount (if any) and the Department’s Remainder Amount (“Remainder”) (if any) for the Contract Year, according to the calculations specified in this Attachment 10. The Contractor shall recalculate these amounts quarterly and remit the specified percentage of the Department’s Remainder Amount, if any, under the following, cumulative schedule:

	<u>Quarterly</u>	<u>Cumulative</u>
January 31, 2007	first 50% of estimated Remainder	50%
April 30, 2007	next 25% of estimated Remainder	75%
July 31, 2007	next 10% of estimated Remainder	85%
October 31, 2007	balance up to amount of actual Remainder	100%

For purposes of the first three quarterly reports and remittances, the calculation or recalculation will be based upon the Contractor’s IBNR established after the end of the Contract Year. The report and remittance on October 31, 2007 shall be the final report and remittance, and shall be based upon the CHIP Final Premium determined according to Paragraph 10.H(ii) of this Attachment 10 using Paid Claims, defined as specified in Paragraph 3(xiii), for the Contract Year through the end of the Run-Out Period. The Department shall not be entitled to any further Remainder payment from Contractor if any calculation or recalculation based upon updated data indicates that there is no Remainder due to the Department.

In the event that any calculation or recalculation demonstrates that the Department has been paid any Remainder payment in excess of the total Remainder, if any, determined by the most recent calculation, the Department must refund such excess amount to the Contractor within 30 days of such determination.

6. Account Balance Calculation. The Account Balance for the Contract Year shall be calculated as follows:

Total CHIP Premiums paid or due. \$ _____
(Total number of CHIP monthly

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enrollees for Contract Year times the monthly CHIP Premium)

LESS: Total Paid Claims as defined in paragraph 3 (xiii)

Claims Expenditures		\$ _____
less – rebates including pharmacy		\$ _____
TPL recoveries	\$ _____	
COB recoveries	\$ _____	
Other recoveries, if any	\$ _____	
 = Paid Claims		 \$ _____

LESS: Total CHIP Premium Administrative Expense Amount paid or due (Total number of CHIP monthly enrollees for Contract Year times the monthly CHIP Premium Administrative Expense Amount) \$ _____

Account Balance (Surplus, Deficit or Zero Account Balance) \$ _____

Account Balance Calculation Examples:

	<u>#1</u>	<u>#2</u>	<u>#3</u>
Total Premium	\$15,000,000	\$15,000,000	\$15,000,000
Less: Total			

CHIP PREMIUM

ADMINISTRATIVE EXPENSE

Amount	1,800,000	1,800,000	1,800,000
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LESS: TOTAL PAID CLAIMS	12,000,000	13,200,000
<u>14,500,000</u>		

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Account Balance	\$ 1,200,000 (Surplus)	\$ - 0 - (Zero)	<\$ 1,300,000> (Deficit)
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The Account Balance calculation under this Paragraph 6 (and the corresponding determinations under Paragraphs 5, 7, 8 and 9) may be made using the CHIP Interim Premium or an estimated or actual CHIP Final Premium, as appropriate; provided, however, that the final determination of the Account Balance for the Contract Year shall be made using the CHIP Final Premium determined as provided in Paragraph 10.H(ii) of this Attachment 10 based upon actual Paid Claims as of the end of the Run-Out Period.

7. Calculation of Contractor’s Retention Amount and Department’s Remainder Amount. In the event that there is a Surplus Account Balance for the Contract Year, calculated in accordance with Paragraph 6 of this Attachment 10, Contractor shall calculate the Contractor’s Retention Amount and the Department’s Remainder Amount as follows:

Surplus Account Balance (calculated as specified in Paragraph 6, above)	\$ _____
LESS: Contractor’s Retention Amount (lesser of (a) the Surplus Account Balance or (b) .50 times the total Risk Charges paid or due for the Contract Year (total risk charges is the number of CHIP monthly enrollees for Contract Year times the CHIP monthly Risk Charge per enrollee)	\$ _____
Department’s Remainder Amount (if any) (Surplus Account Balance less Contractor’s Retention Amount)	\$ _____

Retention/Remainder Calculation Examples:

	<u>#1</u>	<u>#2</u>	<u>#3</u>
Total Premium	\$15,000,000	\$15,000,000	\$15,000,000
Less: Total			

CHIP PREMIUM

ADMINISTRATIVE EXPENSE

Amount	1,800,000	1,800,000	1,800,000
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<u>LESS: TOTAL PAID CLAIMS</u>	12,000,000	13,050,000
		<u>13,150,000</u>

Account Balance	\$ 1,200,000 (Surplus)	\$ 150,000 (Surplus)	\$ 50,000 (Surplus)
Total Risk Charges	\$ 300,000	\$ 300,000	\$ 300,000
.5 times Risk Charges	\$ 150,000	\$ 150,000	\$ 150,000
Contractor's Retention Amount	\$ 150,000	\$ 150,000	\$ 50,000
Department's Remainder Amount.	\$1,050,000	- 0 -	- 0 -

8. Disposition of Surplus Account Balance. In the event there is a Surplus Account Balance for the Contract Year, based upon the calculation specified in Paragraph 6 of this Attachment 10, the Contractor shall be entitled to retain the amount of the Surplus Account Balance up to but not exceeding the Contractor's Retention Amount. The Contractor shall be entitled to retain such Contractor's Retention Amount in addition to the CHIP Premium Administrative Expense Amount (including all Risk Charges) of the CHIP Premiums paid to or due the Contractor for the Contract Year. The portion, if any, of the Surplus Account Balance remaining after full satisfaction of the Contractor's Retention Amount shall be paid by the Contractor to the Department as the Department's Remainder Amount, according to the schedule and terms specified in Paragraph 5 of this Attachment 10. Any Surplus Account Balance shall be settled annually on a Contract Year basis as provided in this Attachment 10 and shall not carry over to any future contract renewal period.

9. Effect of Zero or Deficit Account Balance. In the event that there is a Zero Account Balance or a Deficit Account Balance for the Contract Year, based upon the calculation specified in Paragraph 6 of this Attachment 10 and based upon the CHIP Final Premium determined in accordance with Paragraph 10 of this Attachment 10: (a) the Contractor shall not be entitled to any Contractor's Retention Amount (but the Contractor shall nonetheless be entitled to retain the CHIP Premium Administrative Expense Amount (including all Risk Charges) of all CHIP Premiums paid or due for the Contract Year; (b) no payment of any Department's Remainder Amount shall be due from the Contractor to the Department for the Contract Year; and (c) the Department shall not be required to pay any additional amount to the Contractor with respect to such Deficit or Zero Account Balance, but the Department shall be and remain obligated to pay the Contractor all CHIP Premiums due for the Contract Year. A Deficit Account Balance, if any, shall not carry over to any future contract renewal period.

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10. Determination of CHIP Final Premium. The dollar amount of the CHIP Final Premium per enrollee per month is contingent upon the actual amount of Paid Claims, defined as specified in Paragraph 3(xiii), for the Contract Year and shall be calculated as specified in this Paragraph 10. The CHIP Final Premium will be an amount from a minimum of \$125.02 per enrollee per month to a maximum of \$128.53 per enrollee per month determined as follows:

A. Paid Claim Tiers. For purposes of determining the CHIP Final Premium, Paid Claims for the Contract Year will be categorized into tiers based upon the following reference points:

(i) 6% Claims Amount. At the CHIP Interim Premium amount of \$125.02, the CHIP Premium Claims Amount is \$110.02 per enrollee per month, calculated as follows:

Multiply the 2004-2005 contract year premium of \$117.94 per enrollee per month times .88 to determine the \$103.79 CHIP Premium Claims Amount per enrollee per month at a zero percent premium increase (the "Zero Percent Claims Amount"), and increase the Zero Percent Claims Amount by 6% (\$103.79 times 1.06), to arrive at the interim \$110.02 CHIP Premium Claims Amount per enrollee per month. The total CHIP Premium Claims Amount for all enrollees at the CHIP Interim Premium Amount (referred to as the "6% Claims Amount" or "Amount (A)") is:

Total enrollee months for Contract Year
times the \$110.02 claims amount = \$ _____ (A)

(ii) 9% Claims Amount. The 9% Claims Amount is an amount calculated as follows:

The Zero Percent Claims Amount increased by 9% (\$103.79 times 1.09) is a \$113.13 claims amount per enrollee per month. The 9% Claims Amount (referred to as the "9% Claims Amount" or "Amount (B)") is:

Total enrollee months for Contract Year
times the 9% Claims Amount of \$113.13 = \$ _____ (B)

(iii) 11.9% Claims Amount. The 11.9% Claims Amount is an amount calculated as follows:

The Zero Percent Claims Amount increased by 11.9% (\$103.79 times 1.119) is a \$116.14 claims amount per enrollee per month. The 11.9% Claims Amount (referred to as the "11.9% Claims Amount" or "Amount (C)") is:

Total enrollee months for Contract Year
times the 11.9% Claims Amount of \$116.14 = \$ _____ (C)

B. Paid Claims At or Below 6% Claims Amount. If the Paid Claims, defined as specified in Paragraph 3(xiii), for the Contract Year are less than or equal to the 6% Claims Amount (Amount (A)), then the CHIP Final Premium shall be equal to the

ATTACHMENT 10: ADMINISTRATIVE EXPENSES AND YEAR-END ACCOUNT BALANCE

CHIP Interim Premium (i.e., \$125.02 per enrollee per month) and the CHIP Final Premium is subject to any applicable provisions of Paragraphs 5 through 9 of this Attachment 10.

C. Paid Claims Above 6% and Up To 9% Claims Amount. If the Paid Claims, defined as specified in Paragraph 3(xiii), for the Contract Year are greater than the 6% Claims Amount (Amount (A)) and equal to or less than the 9% Claims Amount (Amount (B)), calculate the Department's share of Paid Claims exceeding the 6% Claims Amount, as follows:

(i) Subtract the 6% Claims Amount (Amount (A)) from the Paid Claims to determine the difference ("Amount (D)"), and multiply the difference (Amount (D)) times .75 to determine the Department's share of the difference ("Amount (E)"), and using Amount (E) apply the provisions of Paragraph 10.F, below, to determine the CHIP Final Premium.

D. Paid Claims Above 9% and Up To 11.9% Claims Amount. If the Paid Claims, defined as specified in Paragraph 3(xiii), for the Contract Year are greater than the 9% Claims Amount (Amount (B)) and equal to or less than the 11.9% Claims Amount (Amount (C)), calculate the Department's share of Paid Claims exceeding the 6% Claims Amount, as follows:

(i) Subtract the 6% Claims Amount (Amount (A)) from the 9% Claims Amount (Amount (B)) to determine the difference ("Amount (F)"), and multiply the difference (Amount (F)) times .75 to determine the Department's share of the difference ("Amount (G)"), and add the Department's share of the difference (Amount (G)) to Amount (I), determined as provided in Paragraph 10.D(ii), below, according to Paragraph 10.D(iii), below.

(ii) Subtract the 9% Claims Amount (Amount (B)) from Paid Claims to determine the difference ("Amount (H)"), and multiply the difference (Amount (H)) times .25 to determine the Department's share of the difference (Amount (I)), and add the Department's share of the difference to Amount (G), determined as provided in Paragraph 10.D(i), above, according to Paragraph 10.D(iii), below.

(iii) Add the Department's share Amount (G), determined as provided in Paragraph 10.D(i), above, to the Department's share Amount (I), determined as provided in Paragraph 10.D(ii), above, to determine the Department's share Amount (J) and using Amount (J) apply the provisions of Paragraph 10.F, below, to determine the CHIP Final Premium.

E. Claims Above 11.9% Claims Amount. If the Paid Claims, defined as specified in Paragraph 3(xiii), for the Contract Year are greater than the 11.9% Claims Amount, there will be a contingent premium increase to account for the

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(156,000 x \$113.13)	\$ 17,648,280
11.9% Claims Amount – Amount (C) (156,000 x \$116.14)	\$ 18,117,840

These assumptions are used for purposes of all of the following 5 examples.

(i) Example 1. Paid Claims for the Contract Year total \$16,500,000. Since Paid Claims are at or below the 6% Claims Amount, the CHIP Final Premium is \$125.02 (i.e., equal to the CHIP Interim Premium of \$125.02) and there is no contingent premium increase. Since there is a Surplus Account Balance, the provisions of Paragraphs 5 through 9 of this Attachment 10 will be applied to determine the Contractor’s Retention Amount and the Department’s Remainder Amount.

(ii) Example 2. Paid Claims for the Contract Year total \$17,163,120, the same amount as the 6% Claims Amount. Since Paid Claims are at or below the 6% Claims Amount, the CHIP Final Premium is \$125.02 (i.e., equal to the CHIP Interim Premium of \$125.02) and there is no contingent premium increase. Since there is no Surplus Account Balance, the provisions of Paragraphs 5 through 9 of this Attachment 10 will not be applied, and there will be no Contractor’s Retention Amount and no Department’s Remainder Amount.

(iii) Example 3. Paid Claims for the Contract Year total \$17,500,000, an amount above the 6% Claims Amount but less than the 9% Claims Amount. The Department’s share of the amount over the 6% Claims Amount is calculated:

Paid Claims	\$17,500,000
Less: 6% Claims Amount (Amount (A))	\$17,163,120
Difference (Amount (D))	\$ 336,880
Multiply by .75	x .75
Department’s share (Amount (E))	\$ 252,660
Add the 6% Claims Amount	\$ 17,163,120
Total Department claims amount	\$ 17,415,780
Divide total Department claims amount	\$ 17,415,780
By 6% Claims Amount (Amount (A))	\$ 17,163,120
To determine Contingent Premium Increase Percentage (Factor (X))	1.0147
Multiply CHIP Interim Premium of \$125.02	\$125.02

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By Contingent Premium Increase % (Factor (X))	x 1.0147
CHIP Final Premium per enrollee per month	\$ 126.86

Since Paid Claims are above the 6% Claims Amount but less than the 9% Claims Amount, the CHIP Final Premium includes a contingent premium increase. Since there is no Surplus Account Balance, the provisions of Paragraphs 5 through 9 of this Attachment 10 will not be applied, and there will be no Contractor's Retention Amount and no Department's Remainder Amount.

(iv) Example 4. Paid Claims for the Contract Year total \$18,000,000, an amount above the 9% Claims Amount but less than the 11.9% Claims Amount. The Department's share of the amount over the 6% Claims Amount is calculated:

9% Claims Amount (Amount (B))	\$17,648,280
Less: 6% Claims Amount (Amount (A))	\$17,163,120
Difference (Amount (F))	\$ 485,160
Multiply by .75	x .75
Department's share (Amount (G))	\$ 363,870
Paid Claims	\$18,000,000
Less: 9% Claims Amount (Amount (B))	\$17,648,280
Difference (Amount (H))	\$ 351,720
Multiply by .25	x .25
Department's share (Amount (I))	\$ 87,930
Add Department shares from both tiers	
Amount (G)	\$ 363,870
Amount (I)	\$ 87,930
Department's share - Amount (J)	\$ 451,800
Add the 6% Claims Amount	\$ 17,163,120
Total Department claims amount	\$ 17,614,920
Divide total Department claims amount	\$ 17,614,920
By 6% Claims Amount (Amount (A))	\$ 17,163,120

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To determine Contingent Premium Increase Percentage (Factor (X))	1.0263
Multiply CHIP Interim Premium of \$125.02 By Contingent Premium Increase % (Factor (X))	\$125.02 x 1.0263
CHIP Final Premium per enrollee per month	\$ 128.31

Since Paid Claims are above the 9% Claims Amount but less than the 11.9% Claims Amount, the CHIP Final Premium includes a contingent premium increase. Since there is no Surplus Account Balance, the provisions of Paragraphs 5 through 9 of this Attachment 10 will not be applied, and there will be no Contractor's Retention Amount and no Department's Remainder Amount.

(v) Example 5. Paid Claims for the Contract Year total \$18,750,000, an amount above the 11.9% Claims Amount. The Department's share of the amount over the 6% Claims Amount and up to the 11.9% Claims Amount is calculated:

9% Claims Amount (Amount (B))	\$17,648,280
Less: 6% Claims Amount (Amount (A))	\$17,163,120
Difference (Amount (F))	\$ 485,160
Multiply by .75	x .75
Department's share (Amount (G))	\$ 363,870
11.9% Claims Amount – Amount (C)	\$18,117,840
Less: 9% Claims Amount (Amount (B))	\$17,648,280
Difference (Amount (H))	\$ 469,560
Multiply by .25	x .25
Department's share (Amount (I))	\$ 117,390
Add Department shares from both tiers	
Amount (G)	\$ 363,870
Amount (I)	\$ 117,390
Department's share - Amount (J)	\$ 481,260
Add the 6% Claims Amount	\$ 17,163,120
Total Department claims amount	\$ 17,644,380

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Divide total Department claims amount	\$ 17,644,380
By 6% Claims Amount (Amount (A))	\$ 17,163,120
To determine Contingent Premium Increase Percentage (Factor (X))	1.02804
Multiply CHIP Interim Premium of \$125.02	\$125.02
By Contingent Premium Increase % (Factor (X))	x 1.02804
CHIP Final Premium per enrollee per month	\$ 128.53

Since Paid Claims are above the 11.9% Claims Amount, the CHIP Final Premium includes a contingent premium increase that recognizes the Paid Claims above the 6% Claims Amount and up to the 11.9% Claims Amount. However, the contingent premium increase does not recognize nor provide any additional premium with respect to the Paid Claims above the 11.9% Claims Amount. The Contractor bears 100% of the risk for such Paid Claims. Since there is no Surplus Account Balance, the provisions of Paragraphs 5 through 9 of this Attachment 10 will not be applied, and there will be no Contractor's Retention Amount and no Department's Remainder Amount.

H. Contingent Premium Determination And Settlement Process - Payment.

(i) On or before January 31, 2007, the Contractor shall estimate the CHIP Final Premium, based upon the Contractor's IBNR established after the end of the Contract Year, and using the calculations specified in Paragraph 10 of this Attachment 10. The Contractor shall report such estimate to the Department, along with a proposed reconciliation of the difference between the CHIP Interim Premium and the CHIP Final Premium, if any, based upon the estimated CHIP Final Premium and the total enrollee months for the Contract Year. The Department shall pay the Contractor the contingent premium amount, if any, determined pursuant to such reconciliation within thirty (30) calendar days after receipt of the report and reconciliation.

(ii) On or before October 31, 2007, the Contractor shall determine, using the calculations specified in Paragraph 10 of this Attachment 10, the CHIP Final Premium, based upon Paid Claims, defined as specified in Paragraph 3(xiii), for the Contract Year as of the end of the Run-Out Period. The Contractor shall report such determination to the Department, along with a proposed reconciliation of the difference between the CHIP Interim Premium and the CHIP Final Premium, if any, taking into account any prior reconciliation and payment based upon the estimates required pursuant to Paragraph 5 and 10.H(i). The Department shall pay the Contractor any additional contingent premium amount

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due pursuant to such reconciliation within thirty (30) calendar days after receipt of the report and reconciliation.

(iii) The Department may request additional estimates of contingent premium at any time between January 31, 2007 and October 31, 2007 and the Contractor will cooperate reasonably with the Department in providing the requested estimates.

CHILDREN'S HEALTH INSURANCE PLAN (CHIP) OUTREACH PLAN OF ACTION: JUNE – OCTOBER 2005

CHIPCHAT NEWSLETTER: Informing CHIP families of the CHIP expansion in enrollment and no waiting list effective July 1st and the new “family composition” policy effective August 1st.

New CHIP application: Developed a simplified application which is currently available on the CHIP website and we are planning to get the paper version from the printers within the next week. Copies of the application, instructions for re-ordering applications and CHIP brochures will be sent to the following: Offices of Public Assistance, Montana Community Health Centers (CHC), Food Banks, Childcare Resource & Referral agencies, Pediatric Offices, local Public Health Departments and Officials, Public Health Nurses, Human Resource Development Councils, Head Start Programs, Urban Indian Clinics, Tribal Health and Indian Health Service Directors and other interested persons.

CONFERENCES AND MEETINGS: Purpose is to provide details about CHIP expansion and new application as well as general program information and materials. Target populations are low-income families with uninsured children, healthcare providers, general public, public health officials, school administrators and teachers, childcare providers, etc.

Montana Academy of Family Physicians Conference (June 16-18) Fairmont

Home School Convention (June 24-25) Billings

Native American Days Celebration (July 6-9) Browning

Montana Physician Assistants Conference (August 4-5) Fairmont

OPI/DPHHS Joint Healthy Kids Committee (September 6th) Helena

Montana Public Health Association Annual Fall Conference (September 13-15) West Yellowstone

Montana PTA Conference (September 16-17) Great Falls

Montana Medical Association Annual Meeting (September 16-18) Helena

Montana Academy of Pediatrics Conference (September 30-October 1) Big Fork

Montana Nurses Conference (October 6-8) Helena

Capturing the Vision of Wellness for American Indian Women (October 7) Billings

Early Childhood Conference (October 13-15) Bozeman

MEA/MFT Conference (October 20-23) Missoula

E-MAIL OUTREACH

Purpose is to provide details about CHIP expansion and new application as well as general program information and materials. The target populations are the general public, families in need of health insurance for their children, community-based organizations, public health agencies and other interested persons.

A notice was sent on July 20, 2005 to Offices of Public Assistance, Montana Community Health Centers (CHC), Food Banks, Childcare Resource & Referral agencies, Pediatric Offices, local Public Health Departments and Officials, Public Health Nurses, Human Resource Development Councils, Head Start Programs, Urban Indian Clinics, Tribal Health and Indian Health Service Directors and other interested persons.

BACK TO SCHOOL KICKOFF (August 9) Missoula

CHIP provided color brochures/magnets to Healthy Mothers Healthy Babies for their event.

RAPID RESPONSE MEETINGS (as needed)

CHIP staff to work with the Department of Labor to distribute CHIP information and applications to employees of Montana businesses who are in the process of discontinuing business or laying off staff.

Media Campaign

This is an effective way to increase enrollment and the decision to implement will be based on available funding. We hope to have more information about this in September/October.