



**2010 FINAL MEDICARE PHARMACY SETTLEMENT EXAMPLE  
PPA 1998 PLUS**

PARENT PPG NAME: ABC Medical Group, Inc.  
 PARENT PPG #: 1177  
 SETTLEMENT PERIOD: 01/2010 THROUGH 12/2010

<b>CONTRACT TERMS</b>			<b>Footnotes:</b>
Is the prescription cost target based on CAB model?		YES	(1)
If not on CAB model:			
A. Target as a % of medicare revenue, or		N/A	(2)
B. Target as a flat per member per month (PMPM):		N/A	(3)
Target prescription cost (PMPM)	\$	64.6139	(4)

<b>2010 UNADJUSTED PRESCRIPTION EXPERIENCE</b>			
Total pharmacy prescriptions		21,346	
Unadjusted prescription cost PMPM	\$	158.84	
Member months (pharmacy eligible member months)	x	7,028	
Total paid claims	\$	1,116,345.63	(5)
Average unadjusted cost per prescription	\$	52.30	

<b>2010 PRESCRIPTION COST ADJUSTMENTS</b>			
Injectable medications			
Total injectable medication prescriptions		22	
Average injectable medication cost per prescription	\$	857.77	
Total amount paid for injectable medications	\$	18,870.92	(6)
Injectable prescription cost PMPM	\$	2.69	

<b>2010 ADJUSTED PRESCRIPTION EXPERIENCE</b>			
Adjusted prescriptions		21,324	
Adjusted prescription cost PMPM	\$	156.16	(7)

**PHARMACY SETTLEMENT (DEFICIT)** \$ -321,684.14 (8)

<b>APPLIED SHARING SPLITS AND UPSIDE/DOWNSIDE LIMITS:</b>			
Downside sharing split:		50%	
Downside settlement limit (% of shared risk budget):		N/A	(9)
Downside settlement limit (PMPM):		N/A	
Downside settlement limit (% of commercial professional capitation):		N/A	

<i>PPG Satellites Included in this Settlement:</i>									
1177	1178	1179	1180	1694	1695	1799	1909	5131	} (10)

- (1) Revenue funding method flags. Options are YES for percent of CMS payment as shown on Addendum C.2; NO for PMPM rate.
- (2) If revenue funding method is NO, and Rx budget is a percentage of CMS revenue, than percentage is shown. Currently not applicable.
- (3) If revenue funding method is NO, and the Rx budget is a PMPM rate, than the PMPM rate is shown.
- (4) If revenue funding method is YES, than PMPM of the percentage of CMS payment as shown on Addendum C.2.
- (5) Gross pharmacy data.
- (6) Injectable medications are excluded from the pool.
- (7) Net pharmacy prescriptions and PMPM.
- (8) The settlement/deficit equals the revenue less adjusted prescription cost with the sharing splits applied.
- (9) Upside or downside sharing split and settlement limits, if applicable.
- (10) The pharmacy is reported on the parent level; this shows the individual satellites that are included.

## SHARED RISK PHARMACY SETTLEMENT EXAMPLE

### 2007 FINAL COMMERCIAL PHARMACY SETTLEMENT

#### PSA 1998 PLUS

**PARENT PPG NAME:** ABC Medical Group, Inc.

**PARENT PPG #:** 1234

**SETTLEMENT MONTHS:** 01/2007 THROUGH 12/2007



CONTRACT TERMS		<b>Footnotes:</b>
Pharmacy Shared Risk Budget (PMPM)	\$ 15.00	(1)
Demo/Plan Factor (Not Applicable)		(2)
Adjusted Target Prescription Cost (PMPM)	\$ 15.00000	(3)
<b>2007 UNADJUSTED PRESCRIPTION EXPERIENCE</b>		
Total Pharmacy Prescriptions	2,092	(4)
Unadjusted Prescription Cost Per Member Per Month (PMPM)	\$ 25.89	
Member Months (Pharmacy Eligible Member Months)	x 2,975	
Total Paid Claims	\$ 77,015.60	
Average Unadjusted Cost Per Prescription	\$ 36.81	
<b>2007 PRESCRIPTION COST ADJUSTMENTS</b>		
<b>HIV Drugs</b>		
Total HIV Drug Prescriptions	12	(5)
Average HIV Drug Cost Per Prescription	\$ 455.21	
Total Amount Paid for HIV Drugs	\$ 5,462.50	
HIV Prescription Cost PMPM	\$ 1.84	
<b>Injectable Drugs</b>		
Total Injectable Drug Prescriptions	2	(6)
Average Injectable Drug Cost Per Prescription	\$ 121.65	
Total Amount Paid for Injectable Drugs	\$ 243.30	
Injectable Prescription Cost PMPM	\$ 0.08	
<b>2007 ADJUSTED PRESCRIPTION EXPERIENCE</b>		
Adjusted Prescriptions	2,078	(6)
Adjusted Prescription Cost PMPM	\$ 23.96968	
<b>PHARMACY SETTLEMENT (DEFICIT)</b>	<b>\$ (13,342.40)</b>	

**APPLIED SHARING SPLITS AND UPSIDE/DOWNSIDE LIMITS:**

Downside Sharing Split:	50%	(7)
Downside Settlement Limit (% of Shared Risk Budget): (if applicable)	N/A	
Downside Settlement Limit (PMPM): (if applicable)	N/A	
Downside Settlement Limit (% of Commercial Professional Capitation): (if applicable)	N/A	

PPG Satellites Included in this Settlement:

1234      456      789      **(8)**

- (1) Shared Risk PMPM as stated in contract.
- (2) Age, Sex, and benefit plan adjustment if applicable.
- (3) Shared Risk Age, Sex, and benefited adjusted PMPM.
- (4) Gross Pharmacy Data.
- (5) HIV and Injectable Adjusted.
- (6) Net Pharmacy Prescriptions and PMPM.
- (7) Upside or Downside Sharing Split and Settlement Limits if applicable.
- (8) The Pharmacy is reported on the Parent level, this show the individual satellites that are included.

## SHARED RISK HMO SETTLEMENT EXAMPLE

STANDARD HMO 2007 FINAL SHARED RISK SETTLEMENT  
 PSA 1998 PLUS  
 SETTLEMENT MONTHS: 01/2007 THROUGH 12/2007  
 PPG # 1234  
 ABC Medical Group - Alpha City



**Footnotes:**

Gross Shared Risk Revenue PMPM	\$	87.40	(1)
Demo/Plan Adjustment	x	1.084547	(2)
Member Months	x	5,849	(3)
<b>Gross Shared Risk Revenue</b>	<b>\$</b>	<b>554,423.41</b>	
Less: Reinsurance Cost (1)	-	80,446.84	
Transfer Reinsurance Cost (4)	-	0.00	
Out of Area Service Adjustment (2)	-	1,525.92	
<b>Net Shared Risk Revenue</b>	<b>\$</b>	<b>472,450.65</b>	
Less Incurred Claims:			
Prior Years' Claims Paid 4/2007 - 3/2008	-	30,327.55	
Current Claims: Claims Incurred 1/2007 - 12/2007, Paid 1/2007 - 12/2007	-	299,701.14	
Future Claims: Claims Incurred 1/2007 - 12/2007, Paid 1/2008 - 3/2008	-	97,845.84	
ESRD Claims (If Applicable)	-	0.00	
Additional Claims	-	0.00	
Home Infusion/DME Service Adjustment	-	7,135.78	
Claims over Stop Loss (Deducted from Incurred Claims)	+	0.00	(4)
<b>Net SR Revenue Less Incurred Claims:</b>	<b>\$</b>	<b>37,440.34</b>	
PPG's Share of Gain: 50.00% Subject to: 20.00% Capitation Limit (3a)			
PPG's Share of Loss: 50.00% Subject to: 20.00% Capitation Limit (3b)			
<b>Shared Risk Settlement (Deficit)</b>	<b>\$</b>	<b>18,720.17</b>	

(1) Reinsurance Cost	=	Gross Shared Risk x Reinsurance Rate		
	=	\$554,423.41 x 14.51%		\$80,446.84
(2) OOA Service Adjustment	=	OOA Service Cost x Adjustment Rate		
	=	\$7,629.62 x 20.00%		\$1,525.92
(3) Settlement Limits	=	(a) Max Gain: \$83,522.19		
	=	(b) Max Loss: N/A		
(4) Transfer Reinsurance	=	Member Months x PMPM Transfer Reinsurance Rate		
	=	5,849 x 0.00		\$0.00
(5) Professional Capitation	=	\$417,610.93		

- (1) Shared Risk PMPM as stated in contract.
- (2) Age, Sex, and benefit plan adjustment if applicable.
- (3) Member months for the settlement months being reported.
- (4) Any claims over the stop loss threshold are added back, usually 80% since 100% of the claim amount is deducted in the incurred claims buckets. By adding the 80% back, the shared risk claims pool is only charged 20% of the claim as indicated in the contract.
- (5) Detail calculation of deductions, and Total Professional Capitation for the reporting period.

## SHARED RISK POS SETTLEMENT EXAMPLE

**SMALL GROUP POS** 2007 FINAL SHARED RISK SETTLEMENT

PSA 1998 PLUS  
 SETTLEMENT MONTHS: 01/2007 THROUGH 12/2007  
 PPG # 2345  
 ABC Medical Group - Zada City



INSTITUTIONAL POOL	PMPM Budget Before Multiplier	x	Institutional Multiplier	=	PMPM Budget After Multiplier	Footnotes:
Gross Institutional Shared Risk Revenue PMPM (Before Demo/Plan Adjustment)	72.71		1.100		79.98	(1)
Demo/Plan Factor				x	0.710809	(2)
Member Months				x	1,308	(3)
<b>Gross Institutional Shared Risk Revenue Adjusted for Multiplier and Demo/Plan</b>					<b>\$ 74,360.42</b>	
Less: Reinsurance Cost (1)					- 11,905.10	
<b>Institutional Shared Risk Revenue</b>					<b>\$ 62,455.32</b>	

<i>Less Institutional Incurred Claims:</i>	Prior Years' Claims Paid 4/2007 - 3/2008	-	1,730.65	
	Tier 1 Claims Incurred 1/2007 - 12/2007, Paid 1/2007 - 3/2008	-	178,297.88	
	Tier 2 Claims Incurred 1/2007 - 12/2007, Paid 1/2007 - 3/2008	-	5,009.93	
	Tier 3 Claims Incurred 1/2007 - 12/2007, Paid 1/2007 - 3/2008	-	0.00	
	Additional Claims	-	0.00	
	ESRD Claims (If Applicable)	-	0.00	
	Out-of-Area Claims Adjustment (2)	-	73.10	
	Claims over Stop Loss (Deducted from Incurred Claims)	+	0.00	(4)
			<b>\$ (122,656.24)</b>	

**Institutional SR Revenue Less Incurred Claims:**  
 PPG's Share of Gain: 50% Subject to: 20% Capitation Limitation  
 PPG's Share of Loss: 50% Subject to: 20% Capitation Limitation

**Institutional Shared Risk Settlement (Deficit)** **\$ (14,284.17)**

PROFESSIONAL POOL					
100% of Professional Capitation		\$	71,420.85		(5)
Professional Multiplier		x	1.100		(6)
100% of the Professional Capitation adjusted by Multiplier		\$	78,562.94		(7)
Less Upfront Capitation Paid		-	58,922.20		(8)
<b>Gross Professional OON Revenue</b>		<b>\$</b>			<b>19,640.73</b>
Less: Transplant Adjustment (4)		-	0.00		
AIDS Adjustment (5)		-	300.84		
OON Professional Stoploss (6)		-	91.56		
<b>Net Professional OON Revenue</b>		<b>\$</b>			<b>19,248.33</b>

<i>Less OON Professional Incurred Claims:</i>	Prior Years' Claims Paid 4/2007 - 3/2008	-	362.12	
	Tier 2 Claims Incurred 1/2007 - 12/2007, Paid 1/2007 - 3/2008	-	5,837.43	
	Tier 3 Claims Incurred 1/2007 - 12/2007, Paid 1/2007 - 3/2008	-	462.00	
	Additional Claims	-	0.00	
	Claims Over Stop Loss (Deducted from Incurred Claims)	+	0.00	(4)
			<b>\$ 12,586.78</b>	

PPG's Share of Gain: 50% Subject to: 100% Capitation Limitation

**Professional OON Shared Risk Settlement (Deficit)** **\$ 6,293.39**

(1) Reinsurance Cost	=	Gross Shared Risk Adjusted for Multiplier x Reinsurance Rate			
	=	\$74,360.42 x 16.01%	=	\$11,905.10	
(2) OOA Service Adjustment	=	Out-Of-Area Service Cost x Adjustment Rate			
	=	\$365.50 x 20.00%	=	73.10	
(3) Gross Capitation Available	=	Paid Cap / Percent of Cap Upfront - Paid Cap			
	=	\$58,922.20 / 82.50%	-	\$58,922.20	
	=	\$11,635.37 less \$863.28			
(4) Transplant Adjustment	=	Transplant Rate (for OON Revenue) x Member-Months			
	=	\$0.00 x 1,308	=	\$0.00	
(5) AIDS Adjustment	=	AIDS Rate (for OON Revenue) x Member-Months			
	=	\$0.23 x 1,308	=	\$300.84	
(6) OON Professional Stoploss	=	OON Prof. Rate x Member-Months			
	=	\$0.07 x 1,308	=	\$91.56	

- (1) Shared Risk PMPM as stated in contract.
- (2) Age, Sex, and benefit plan adjustment if applicable.
- (3) Member months for the settlement months being reported.
- (4) Any claims over the stop loss threshold are added back, usually 80% since 100% of the claim amount is deducted in the incurred claims buckets. By adding the 80% back, the shared risk claims pool is only charged 20% of the claim as indicated in the contract.
- (5) Net POS Capitation paid to PPG after deducting withhold.
- (6) Professional POS multiplier.
- (7) Gross POS Capitation before withhold.
- (8) 82.5% to bring withhold to equal 17.5% of Small Group POS Professional POS capitation.
- (9) Detail calculation of deductions.

## SHARED RISK MEDICARE SETTLEMENT EXAMPLE

**MEDICARE HMO** 2007 FINAL SHARED RISK SETTLEMENT

PSA 1998 PLUS

SETTLEMENT MONTHS: 01/2007 THROUGH 12/2007

PPG # 456

ABC Medical Group - Alpha City



**Footnotes:**

Member Months		163	<b>(1)</b>
Shared Risk Revenue as a Percent of Premium		43.88%	<b>(2)</b>
Applicable Medical Revenue	(Gross Revenue Model)	x 159,214.24	<b>(3)</b>
<b>Gross Shared Risk Revenue</b>		<b>\$ 69,863.21</b>	<b>(4)</b>
Less:	Reinsurance Cost (1)	-	3,582.32
	Out-of-Area Service Adjustment (2)	-	0.00
<b>Net Shared Risk Revenue</b>		<b>\$ 66,280.89</b>	
Less Incurred Claims:			
	Prior Years' Claims Paid 4/2007 - 3/2008	-	(627.97)
	Current Claims: Claims Incurred 1/2007 - 1/2007, Paid 1/2007 - 12/2007	-	84,410.49
	Future Claims: Claims Incurred 1/2007 - 1/2007, Paid 1/2008 - 3/2008	-	653.09
	Additional Claims	-	0.00
	Home infusion/DME Service Adjustment	-	1,670.75
	ESRD Claims (if applicable)	-	0.00
	Claims over Stop Loss (Deducted from Incurred Claims)	+	0.00
<b>Net SR Revenue Less Incurred Claims:</b>		<b>\$ (19,825.47)</b>	<b>(5)</b>
	PPG's Share of Gain: 50% Subject to: 20% Capitation Limit (3a)		
	PPG's Share of Loss: 50% Subject to: 20% Capitation Limit (3b)		
<b>Shared Risk Settlement (Deficit):</b>		<b>\$ (9,912.74)</b>	

(1) Reinsurance Cost	=	Gross Medical Revenue x Reinsurance Rate	
	=	\$159,214.22 x 2.25%	
	=		\$3,582.32
(2) OOA Service Adjustment	=	OOA Service Cost x Adjustment Rate	
	=	\$0.00 x 20.00%	
	=		\$0.00
(3) Settlement Limits	=	(a) Max Gain: N/A	
	=	(b) Max Loss: (\$12,074.16)	
(4) Professional Capitation	=	\$60,370.80	

} **(6)**

- (1) Member months for the settlement months being reported.
- (2) Shared Risk Budget as a percentage of Medicare Revenue.
- (3) Medicare Revenue received from CMS
- (4) Net Shared Risk Revenue
- (5) Any claims over the stop loss threshold are added back, usually 80% since 100% of the claim amount is deducted in the incurred claims buckets. By adding the 80% back, the shared risk claims pool is only charged 20% of the claim as indicated in the contract.
- (6) Detail calculation of deductions, and Total Professional Capitation for the reporting period.