

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
PROFESSIONAL SERVICES CONTRACT

THIS AMENDMENT No. 1 to PROFESSIONAL SERVICES CONTRACT (PSC) 15-630-8000-0014 is made and entered into by and between the State of New Mexico **Human Services Department**, hereinafter referred to as the "HSD," and **Mercer Health and Benefits, LLC**, hereinafter referred to as the "Contractor".

IT IS MUTUALLY AGREED BETWEEN THE PARTIES THAT THE FOLLOWING PROVISIONS OF THE ABOVE-REFERENCED PSC ARE AMENDED AS FOLLOWS:

Section 1, Scope of Work, is amended to read as follows:

1. **Scope of Work.**

The Contractor shall perform all services detailed in Exhibit A, Amended Scope of Work, attached to this Agreement.

Section 2, Compensation, Paragraphs A and B are amended to read as follows:

2. **Compensation.**

A. The HSD shall pay to the Contractor in full payment for services satisfactorily performed such compensation not to exceed seven million six hundred and fifty dollars (\$7,650,000) including gross receipts tax, if applicable. This amount is a maximum and not a guarantee that the work assigned to be performed by Contractor under this Agreement shall equal the amount stated herein. The New Mexico gross receipts tax, if applicable, levied on the amounts payable under this PSC shall be paid by the Contractor. The parties do not intend for the Contractor to continue to provide services without compensation when the total compensation amount is reached. The Contractor is responsible for notifying the HSD when the services provided under this Agreement reach the total compensation amount. In no event will the Contractor be paid for services provided in excess of the total compensation amount without this Agreement being amended in writing prior to those services in excess of the total compensation amount being provided.

The HSD shall pay to the Contractor in full payment for services satisfactorily performed such compensation not to exceed three million five hundred thousand dollars (\$3,500,000) including gross receipts tax, if applicable, in FY15.

The HSD shall pay to the Contractor in full payment for services satisfactorily performed such compensation not to exceed four million one hundred and fifty thousand dollars (\$4,150,000) including gross receipts tax, if applicable, in FY16.

B. Payment in FY15 and FY16 is subject to availability of funds pursuant to the Appropriations Paragraph set forth below and to any negotiations between the parties from year to year pursuant to Paragraph 1, Scope of Work. All invoices **MUST BE** received by the HSD no later than fifteen (15) days after the termination of the Fiscal Year in which the services were

delivered. **Invoices received after such date WILL NOT BE PAID.**

Exhibit A, Amended Scope of Work with changes bolded and italicized, is attached hereto and referenced herein.

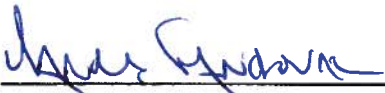
All other sections of PSC 15-630-8000-0014 remain the same.

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IN WITNESS WHEREOF, the parties have executed this Agreement as set forth below.

By:  Date: 5/14/15
HSD Cabinet Secretary

By:  Date: 5/17/15
HSD Office of General Counsel

By:  Date: 5/20/15
HSD Chief Financial Officer

By:  Date: 4/23/2015
Contractor

The records of the Taxation and Revenue Department reflect that the Contractor is registered with the Taxation and Revenue Department of the State of New Mexico to pay gross receipts and compensating taxes.

ID Number: 03-044671-00-6

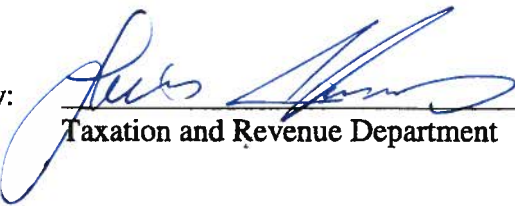
By:  Date: 5/15/15
Taxation and Revenue Department

Exhibit A

Amended Scope of Work

The HSD seeks a qualified actuarial services entity to develop and manage risk-based capitation rates for the New Mexico Centennial Care Medicaid Program and to provide the HSD with consultation services. Capitation rate development must be completed in the fall of every calendar year. Capitation rate updates may occur anytime during the year.

The Contractor shall perform the following work:

1. Develop, set, and certify actuarially sound capitation rates for all managed care organization (MCO) cohorts under Centennial Care. Capitation rates should be developed based on factual data and may be developed by line of business, i.e. physical health, behavioral health, and long term care services for the Standard Medicaid Services Benefit Plan and physical health and behavioral health for the Alternative Benefit Plan. Rates must be certified by a date specified by the HSD. This work includes, but is not limited to the following:
 - a) Certifying that the rates comply with all requirements for managed care rate setting as described in the Balanced Budget Act of 1997;
 - b) Using a variety of parameters in defining and developing managed care cohorts and capitation rates including, but not limited to, recipients' age, gender, category of eligibility, level of care, and geographic location;
 - c) Identifying medical service utilization patterns by category of service and medical and administrative cost profiles for all managed care cohorts and major lines of business;
 - d) Calculating the actuarially sound high/target/low capitation rate ranges
 - e) Participating and providing administrative support in the HSDs' rate setting discussions and meetings (some of which will take place in Santa Fe, NM).
 - f) Participating in periodic meetings with HSD staff to discuss the parameters, priorities, methodology, and ongoing results of MCO capitation rate development in each rate cycle.
 - (1) Provide documents and data, as directed by HSD staff, to discuss at these meetings.
 - (2) Work collaboratively with HSD staff to improve the accuracy and efficiency of the existing data sources and new data sources used for capitation rate development.
 - (3) Work collaboratively with HSD staff and other HSD vendors to improve the accuracy and efficiency of capitation rate development methodologies.
 - (4) Provide the HSD with reports and calculations in the format(s) specified by the HSD, including all formulae, databases, data sets, analyses, and documents relevant to the capitation rate setting process.

2. Update the capitation rates based on factual data, trends in pricing, changes resulting from federal and/or state requirements, program changes or changes in coverage, and certify those rates for Centennial Care. Activities related to updating capitation rate setting include, but are not limited to:
 - a) Analyze inflation and economic trends.
 - b) Analyze the financial statement data of the managed care plan with a focus on relevant issues affecting capitation rate development.
 - c) Analyze any programmatic changes that will be effective in the FY and use the data to calculate adjustment factors to be applied to the existing capitation rate ranges.
 - d) Calculate the actuarially sound high/target/low capitation rate ranges.
 - e) Produce a report that provides a detailed description of the methodology used for developing the capitation rates.
 - f) Provide actuarial certification as to the soundness of the rates.
 - g) Prepare all presentation material, attend and participate in the meetings to promote approved recommendations.
 - h) Provide the HSD with reports and calculations in the format(s) specified by the HSD, including all formulas, databases, data sets, analyses, and documents relevant to the capitation rate updating process.

3. Assist the HSD in its reporting on aspects of its §1115 Demonstration waiver for Centennial Care. This work includes, but is not limited to the following:
 - a) Monitor and report on budget neutrality as required by federal guidelines.
 - b) Evaluate the enrollment and financial performance of Managed Care Organizations and their provider networks.
 - c) Provide encounter data validation analysis as required by the waiver's Standard Terms and Conditions.

4. Provide the HSD with additional consultation services and complete other work as requested by the HSD which may include, but is not limited to, the following:
 - a) Analyzing and ensuring accurate payments and reimbursements related to the Primary Care Physician fee increase under the Affordable Care Act.
 - b) Providing analysis and other consultation as needed in the development of a risk-adjusted payment approach.
 - c) Performing activities related to the reconciliation of the Community Benefit and the Beneficiary Rewards programs under Centennial Care.
 - d) Assist with programmatic activities associated with the implementation of the Centennial Care program such as State Plan Amendments, contract amendments,

and regulatory changes *including revised Centers for Medicare and Medicaid Services requirements for Home & Community Based Services (HCBS). Required documentation and work includes: draft and final provider surveys; provider training; and, final reports.*

- e) Analyze proposed adjustments to provider reimbursement rates.
 - f) Assist HSD in responding to Centers for Medicare & Medicaid Services (CMS) requirements and pursuing CMS approval of programmatic changes.
5. At the end of the contract period, work cooperatively with the HSD and any of its specified contracting organizations to develop and successfully implement a plan to transition all data, methodologies, documentation, and ongoing projects to the succeeding contracting organization, vendor, or firm or to the state.
6. *The Human Services Department, in partnership with the Department of Health, is embarking on a State Innovation Model (SIM) grant project funded by the federal government. In support of the SIM project, the contractor will provide actuarial services as needed during the Model Design process to evaluate potential cost savings and other analyses that can be used to make policy decisions concerning the Model Design.*