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I. INPATIENT UTILIZATION IMPACT:

A. Assumed reduction in hospital inpatient utilization is 15.4125% for Medicaid patients in primary care health homes (PCHHs).

B. Estimated average inpatient days per MHD patient admission. =3 days.

C. Average estimated Medicaid inpatient cost per day, including Medicaid share of hospital provider tax assessment, =\$ 1,672.62

D. Assumed number of MHD Health Home assigned patients =25,372

E. Assume that an MHD participant would have at least 1 hospital I/P admission annually if not assigned to a Health Home.

F. i. \$ 1,672.62 times 3 days average per admission = \$ 5,017.86 average cost of Medicaid inpatient admission.

ii. 25,372 estimated MHD Primary Care Health Home patients, times \$ 5,017.86 average Medicaid I/P admit cost, =\$ 127,313,144 estimated MHD cost of hospital I/P admissions for Health Home patients prior to PCHH services.

iii. \$ 127,313,144 estimated cost of hospitalization for MHD HH patients, times 15.4125% average I/P cost reduction, =\$ 19,622,138 estimated Medicaid I/P hospital cost savings.

G. Assume that achieving gross Medicaid inpatient hospital cost savings for health home patients requires additional or “replacement” costs for increased utilization of other services such as physicians and pharmacy. Prior actuarial review found replacement cost factor of 6% to achieve hospital I/P cost reductions

H. \$19,622,138 estimated gross Medicaid I/P hospital cost savings, net of 6% replacement cost factor = \$18,444,810 estimated net Medicaid I/P cost savings.

(text continued in Hospital Admission Rates above)

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#### PRA Disclosure Statement

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