

**STATE OF TEXAS
MEDICAL TRANSPORTATION PROGRAM
RATE SETTING
STATE FISCAL YEAR 2017**

Prepared for:

Texas Health and Human Services Commission

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I. Introduction

Rudd and Wisdom, Inc. has developed the state fiscal year 2017 (FY2017, September 1, 2016 through August 31, 2017) premium rates for the Medical Transportation Program's (MTP) full risk broker (FRB) and medical transportation organization (MTO) contracts. This report presents the rating methodology and assumptions used in developing the premium rates.

The Health and Human Services Commission (HHSC) currently has two managed transportation programs: (a) full-risk broker (FRB) contracts in the Dallas/Fort Worth and Houston areas; and (b) managed transportation organization (MTO) contracts in the remainder of the state. The two FRB contracts have been in place since March 16, 2012, and April 16, 2012. The MTO contracts have been effective in the remaining Texas regions since September 1, 2014. Effective November 12, 2015, members in MTO Region 4 (North Texas) were carved out of managed care and placed back into fee-for-service. The fiscal year 2017 rates presented in this document include all Texas regions except for MTO Region 4.

Rudd and Wisdom has relied on the following data sources as provided by HHSC, MTOs and the FRBs.

- Monthly enrollment by risk group and county. This includes historical enrollment since September 2012 and a projection of future enrollment through August 2017.
- Detailed fee-for-service (FFS) paid claim encounter files for all non-emergency transportation services for the period March 2012 through August 2014. These files were provided by TMHP.
- Detailed FFS authorized claim encounter files for all non-emergency transportation services for the period March 2012 through August 2014. These files were provided by MTP staff.
- Claim lag reports for each FRB and MTO for the period September 2014 through February 2016. These reports were provided by the FRBs and MTOs and include monthly paid claims by month of service, service category and risk group.
- Financial Statistical Reports (FSR) for the FRBs for FY2014, FY2015 and the first six months of FY2016. FSRs for the MTOs for FY2015 and the first six months of FY2016. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the vendors.
- Information from MTP regarding recent changes to Individual Transportation Participant mileage reimbursement.
- Information from MTP regarding administrative expenses.

After accumulating all of the information to be used in the rate setting process, a comparison of the various sources of claims data was performed to check for consistency. We compared (i) the claim lag reports provided by the FRBs and MTOs and (ii) the claim amounts included in the FSRs. We also compared the FFS paid claim encounter data files

provided by TMHP to summary paid claims reports provided by HHSC. There was satisfactory consistency between the various data sources.

Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

II. Overview of the Rate Setting Methodology

The actuarial model used to derive the FY2017 FRB and MTO premium rates relies primarily on historical FRB and MTO financial experience. The historical claims experience data was analyzed and estimates for the base period were developed. The base period for the FRBs and MTOs relied on historical financial experience for the period January 1, 2015 through December 31, 2015 (CY2015). These estimates were then projected forward to FY2017 using assumed trend rates and other adjustment factors. These adjustment factors are described in more detail in Section III. We added a reasonable provision for administrative expenses and risk margin in order to project the total FY2017 cost. This analysis was conducted for all Texas regions except for MTO Region 4.

Capitation rates were developed for the following Texas regions:

- MTO Region 1 – Panhandle
- MTO Region 2 – West Texas
- MTO Region 3 – Northwest Central
- MTO Region 5 – East Texas
- MTO Region 6 – Southwest Texas
- MTO Region 7 – Central Texas
- MTO Region 8 – South Central Texas
- MTO Region 9 – Southeast Texas
- MTO Region 10 – South Texas
- MTO Region 11 – Northeast Central
- FRB SDA 1 – Dallas/Fort Worth
- FRB SDA 2 – Houston

Capitation rates were determined for the following risk groups:

- Medicaid Children – Rural Counties
- Medicaid Children – Urban Counties
- Medicaid Adults – Rural Counties
- Medicaid Adults – Urban Counties
- Children with Special Health Care Needs (CSHCN)
- Transportation for Indigent Cancer Patient (TICP) – Only applies to Region 10

The non-emergency transportation services used in the analysis include the following:

- Demand Response Transportation
- Individual Transportation Participant (ITP)
- Mass Transit Ticket
- Meals and Lodging
- Advance Funds
- Out-of-State Travel
- Attendant Services
- Commercial Airline Transportation Services
- Nonemergency Ambulance Transportation

III. Adjustment Factors

This section contains a description of the adjustment factors used in the FY2017 FRB and MTO rate setting process.

Trend Factors

The rating methodology uses assumed trend factors to adjust the base period claims cost to the projection period. The cost trend factors used in this analysis are a combination of utilization and inflation components. The projected trend rate assumptions were developed by the actuary based on the actuary's judgment regarding future cost increases. The annual trend assumption of 5.0% was used in the rating analysis to project historical experience forward to the rating period.

Individual Transportation Participant Reimbursement Change

Effective January 1, 2016 reimbursement for Individual Transportation Participant (ITP) service reduced from \$0.56 a mile to \$0.54 a mile. The base period claim cost for ITP has been adjusted to reflect this change.

Under Reported Claims Adjustment

Two of the transportation organizations, AMR and Logisticare, underreported some of their claims experience for the all other service category. The base period claims cost for these two organizations were adjusted to account for the underreported claims cost. Attachment 2 presents a summary of the derivation of this adjustment factor.

Limit Demand Response Cost per Trip to 120% of Fee-For-Service

Effective September 1, 2014, a full risk capitated arrangement was expanded to the remaining Texas regions through the MTO contracts. Effective with this change, some MTOs reimbursed demand response providers significantly higher than under FFS. For rate setting purposes, the base period claims cost per trip for demand response service was capped at 120 percent of FFS. Attachment 3 presents a summary of this adjustment factor.

IV. Administrative Fees and Risk Margin

The rating methodology includes an explicit provision intended to provide for all administrative-related services performed by the vendors. The amount allocated for administrative expenses is \$0.20 per member per month (pmpm) plus 22.0% of gross premium. The administrative fee provision is limited to \$1.00 pmpm for children (average across all children's rate cells) and \$4.00 pmpm for adults (average across all adult's rate cells).

No provision for premium or maintenance taxes is included in the rate calculation as these services are exempt from such taxes. The rates do include a risk margin equal to 2.0% of gross premiums.

V. Summary

The chart below presents the results of the FY2017 FRB and MTO rate setting analysis. Attachment 1 shows the derivation of the premium rates.

Region	Medicaid Adults		Medicaid Children		CSHCN	TICP
	Urban	Rural	Urban	Rural		
MTO Region 1	\$9.81	\$14.65	\$1.26	\$1.89	\$1.26	
MTO Region 2	10.41	30.99	0.66	11.62	0.66	
MTO Region 3	9.71	24.38	1.44	2.30	1.44	
MTO Region 5	10.53	17.40	1.52	2.07	1.52	
MTO Region 6	17.02	17.02	2.65	2.65	2.65	
MTO Region 7	13.65	33.91	1.18	2.22	1.18	
MTO Region 8	7.61	17.99	0.66	1.71	0.66	
MTO Region 9	16.90	16.90	1.79	1.79	1.79	
MTO Region 10	8.46	15.09	1.92	2.11	1.92	1.92
MTO Region 11	16.44	19.77	1.48	2.18	1.48	
FRB - SDA 1	13.07	22.64	0.79	2.23	0.79	
FRB - SDA 2	8.56	22.81	0.79	2.33	0.79	

VI. Actuarial Certification of FY2017 FRB and MTO Premium Rates

I, Khiem D. Ngo, am a principal with the firm Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. I meet the Academy's qualification standards for rendering this opinion.

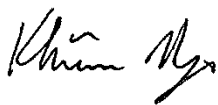
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to develop the capitation rates applicable to the Texas Medicaid Medical Transportation Program's Full Risk Broker (FRB) and Medical Transportation Organization (MTO) contracts for the state fiscal year 2017 and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c).

I certify that the FY2017 FRB and MTO premium rates developed by HHSC and Rudd and Wisdom satisfy the following:

- (a) The premium rates have been developed in accordance with generally accepted actuarial principals and practices;
- (b) The premium rates are appropriate for the populations and services covered under the managed care contract; and
- (c) The premium rates are actuarially sound as defined in the regulations.

We have relied on historical experience data and program information provided to us by HHSC. We have reviewed the data for reasonableness but have not audited the data.

Please note that actual experience will differ from these projections. Rudd and Wisdom has developed these rates on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c). Any FRB or MTO contracting with the State should analyze its own projected premium needs before deciding whether to contract with the State.



Khiem D. Ngo, F.S.A., M.A.A.A.

VII. Attachments

Attachment 1

MTO and FRB Experience by Region Analysis

The following exhibits present a summary of the experience analysis performed for each of the FRB and MTO regions.

Below is a brief description of each of the exhibits contained in the attachment. The exhibits present the derivation of the FY2017 FRB and MTO premium rates for the following regions:

- Exhibit A – MTO Region 1 – Panhandle
- Exhibit B – MTO Region 2 – West Texas
- Exhibit C – MTO Region 3 – Northwest Central
- Exhibit D – MTO Region 5 – East Texas
- Exhibit E – MTO Region 6 – Southwest Texas
- Exhibit F – MTO Region 7 – Central Texas
- Exhibit G – MTO Region 8 – South Central Texas
- Exhibit H – MTO Region 9 – Southeast Texas
- Exhibit I – MTO Region 10 – South Texas
- Exhibit J – MTO Region 11 – Northeast Central
- Exhibit K – FRB SDA 1– Dallas/Fort Worth
- Exhibit L – FRB SDA 2 – Houston

These exhibits show the calculation of the FY2017 premium rates for each region. The top portion of the exhibit shows summary base period enrollment and claims experience by service category. These estimates were then projected forward to FY2017 using assumed trend rates and other adjustment factors. These adjustment factors are described in more detail in Section III.

The amount allocated for administrative expenses is \$0.20 per member per month (pmpm) plus 22.0% of gross premium. The administrative fee provision is limited to \$1.00 pmpm for children (average across all children's rate cells) and \$4.00 pmpm for adults (average across all adult's rate cells). We also added a risk margin equal to 2.0% of gross premiums to protect against adverse claim experience.

At the bottom of the exhibit is a summary of the projected FY2017 cost based on these assumptions.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties			
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2015 Experience										
Member Months	212,929		119,703		716,831		448,810		1,498,273	
Estimated Client Services Costs										
Demand Response	1,361,668	6.395	895,442	7.481	91,462	0.128	63,440	0.141	2,412,012	1.610
Mileage	50,155	0.236	302,883	2.530	143,645	0.200	302,859	0.675	799,541	0.534
All Other	13,649	0.064	18,977	0.159	272,317	0.380	155,426	0.346	460,369	0.307
Total	1,425,472	6.695	1,217,301	10.169	507,423	0.708	521,725	1.162	3,671,922	2.451
Projected FY2017 Member Months (1)	210,351		116,287		739,398		463,350		1,529,386	
Rating Adjustments										
Client Service Trend		1.050		1.050		1.050		1.050		
Mileage Rate Adjustment Factor		0.964		0.964		0.964		0.964		
Projected FY2017 Client Service Costs	1,525,594	7.253	1,271,344	10.933	561,997	0.760	572,144	1.235	3,931,079	2.570
Administrative Expenses										
Fixed Amount (2)	42,070	0.200	23,257	0.200	147,880	0.200	92,670	0.200	305,877	0.200
Percentage of Premium	453,798	22.0 %	374,753	22.0 %	205,491	22.0 %	192,446	22.0 %	1,226,487	0.802
Total	495,868	2.357	398,010	3.423	353,370	0.478	285,116	0.615	1,532,365	1.002
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2017 Total Cost	2,062,716	9.81	1,703,423	14.65	934,048	1.26	874,755	1.89	5,574,943	3.645
Current Rates (FY2016)	2,288,623	10.88	1,888,498	16.24	1,205,218	1.63	1,139,842	2.46	6,522,181	4.265
% Change		-9.9%		-9.8%		-22.5%		-23.3%		-14.5%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2015 Experience										
Member Months	575,682		80,731		1,916,517		220,932		2,793,862	
Estimated Client Services Costs										
Demand Response	3,976,012	6.907	1,064,053	13.180	369,275	0.193	113,428	0.513	5,522,768	1.977
Mileage	105,555	0.183	365,902	4.532	118,773	0.062	346,310	1.567	936,539	0.335
All Other	13,383	0.023	320,976	3.976	53,869	0.028	1,311,310	5.935	1,699,538	0.608
Total	4,094,950	7.113	1,750,931	21.688	541,917	0.283	1,771,047	8.016	8,158,846	2.920
Projected FY2017 Member Months (1)	567,646		79,610		1,984,662		231,509		2,863,428	
Rating Adjustments										
Client Service Trend		1.050		1.050		1.050		1.050		
Mileage Rate Adjustment Factor		0.964		0.964		0.964		0.964		
Projected FY2017 Client Service Costs	4,375,822	7.709	1,858,916	23.350	603,961	0.304	1,998,995	8.635	8,837,694	3.086
Administrative Expenses										
Fixed Amount (2)	113,529	0.200	15,922	0.200	396,932	0.200	46,302	0.200	572,686	0.200
Percentage of Premium	1,299,549	22.0 %	542,716	22.0 %	289,732	22.0 %	592,060	22.0 %	2,724,057	0.951
Total	1,413,078	2.489	558,638	7.017	686,665	0.346	638,361	2.757	3,296,743	1.151
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2017 Total Cost	5,907,041	10.41	2,466,893	30.99	1,316,965	0.66	2,691,180	11.62	12,382,079	4.324
Current Rates (FY2016)	5,137,199	9.05	1,838,997	23.10	3,453,312	1.74	731,569	3.16	11,161,077	3.898
% Change		15.0%		34.1%		-61.9%		267.9%		10.9%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2015 Experience										
Member Months	114,897		118,378		308,086		281,361		822,722	
Estimated Client Services Costs										
Demand Response	692,144	6.024	1,683,525	14.222	79,009	0.256	150,973	0.537	2,605,651	3.167
Mileage	50,813	0.442	306,571	2.590	97,103	0.315	198,506	0.706	652,994	0.794
All Other	12,548	0.109	13,262	0.112	51,651	0.168	37,435	0.133	114,895	0.140
Total	755,504	6.575	2,003,359	16.923	227,762	0.739	386,914	1.375	3,373,540	4.100
Projected FY2017 Member Months (1)	113,748		119,703		320,365		289,400		843,216	
Rating Adjustments										
Client Service Trend		1.050		1.050		1.050		1.050		
Mileage Rate Adjustment Factor		0.964		0.964		0.964		0.964		
Under Reported - All Other Services		1.564		1.564		1.564		1.564		
Projected FY2017 Client Service Costs	816,958	7.182	2,193,582	18.325	285,830	0.892	447,314	1.546	3,743,684	4.440
Administrative Expenses										
Fixed Amount (2)	22,750	0.200	23,941	0.200	64,073	0.200	57,880	0.200	168,643	0.200
Percentage of Premium	243,073	22.0 %	641,914	22.0 %	101,288	22.0 %	146,240	22.0 %	1,132,516	1.343
Total	265,823	2.337	665,855	5.563	165,361	0.516	204,120	0.705	1,301,159	1.543
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2017 Total Cost	1,104,878	9.71	2,917,793	24.38	460,398	1.44	664,729	2.30	5,147,799	6.105
Current Rates (FY2016)	1,585,651	13.94	3,053,611	25.51	608,694	1.90	1,012,898	3.50	6,260,854	7.425
% Change		-30.3%		-4.4%		-24.4%		-34.4%		-17.8%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2015 Experience										
Member Months	154,020		549,470		484,496		1,434,845		2,622,832	
Estimated Client Services Costs										
Demand Response	997,928	6.479	5,864,918	10.674	187,066	0.386	783,914	0.546	7,833,827	2.987
Mileage	67,888	0.441	620,573	1.129	129,067	0.266	757,301	0.528	1,574,830	0.600
All Other	44,819	0.291	134,063	0.244	116,003	0.239	302,041	0.211	596,925	0.228
Total	1,110,636	7.211	6,619,553	12.047	432,136	0.892	1,843,256	1.285	10,005,582	3.815
Projected FY2017 Member Months (1)	155,165		547,533		500,886		1,477,529		2,681,114	
Rating Adjustments										
Client Service Trend		1.050		1.050		1.050		1.050		
Mileage Rate Adjustment Factor		0.964		0.964		0.964		0.964		
Projected FY2017 Client Service Costs	1,211,026	7.805	7,131,058	13.024	479,433	0.957	2,028,675	1.373	10,850,192	4.047
Administrative Expenses										
Fixed Amount (2)	31,033	0.200	109,507	0.200	100,177	0.200	295,506	0.200	536,223	0.200
Percentage of Premium	359,543	22.0 %	2,095,953	22.0 %	167,782	22.0 %	672,789	22.0 %	3,296,067	1.229
Total	390,576	2.517	2,205,460	4.028	267,959	0.535	968,295	0.655	3,832,290	1.429
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2017 Total Cost	1,634,288	10.53	9,527,058	17.40	762,645	1.52	3,058,133	2.07	14,982,124	5.588
Current Rates (FY2016)	1,978,352	12.75	10,321,005	18.85	1,036,835	2.07	4,137,082	2.80	17,473,275	6.517
% Change		-17.4%		-7.7%		-26.4%		-26.1%		-14.3%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2015 Experience										
Member Months			136,712				363,748		500,460	
Estimated Client Services Costs										
Demand Response			1,447,129	10.585			188,817	0.519	1,635,946	3.269
Mileage			548,984	4.016			337,802	0.929	886,786	1.772
All Other			20,233	0.148			96,918	0.266	117,150	0.234
Total			2,016,346	14.749			623,537	1.714	2,639,882	5.275
Projected FY2017 Member Months (1)	1		134,633		144		376,379		511,156	
Rating Adjustments										
Client Service Trend				1.050				1.050		
Mileage Rate Adjustment Factor				0.964				0.964		
Under Reported - All Other Services				1.513				1.513		
Limit Demand Response to 120% FFS				0.722				0.722		
Projected FY2017 Client Service Costs			1,714,848	12.737			683,236	1.815	2,398,085	4.691
Administrative Expenses										
Fixed Amount (2)			26,927	0.200			75,276	0.200	102,202	0.200
Percentage of Premium			504,198	22.0 %			219,569	22.0 %	723,767	1.416
Total			531,125	3.945			294,845	0.783	825,970	1.616
Risk Margin				2.0 %				2.0 %		
Projected FY2017 Total Cost	17	17.02	2,291,809	17.02	381	2.65	998,042	2.65	3,290,249	6.437
Current Rates (FY2016)	16	15.52	2,089,503	15.52	416	2.90	1,091,499	2.90	3,181,433	6.224
% Change		9.7%		9.7%		-8.6%		-8.6%		3.4%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties			
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2015 Experience										
Member Months	616,340		207,447		2,338,534		629,107		3,791,429	
Estimated Client Services Costs										
Demand Response	6,299,459	10.221	5,317,777	25.634	988,622	0.423	577,624	0.918	13,183,483	3.477
Mileage	115,752	0.188	203,727	0.982	133,894	0.057	174,833	0.278	628,206	0.166
All Other	202,726	0.329	77,332	0.373	386,937	0.165	143,623	0.228	810,619	0.214
Total	6,617,937	10.737	5,598,837	26.989	1,509,454	0.645	896,080	1.424	14,622,308	3.857
Projected FY2017 Member Months (1)	612,103		205,440		2,410,907		651,309		3,879,759	
Rating Adjustments										
Client Service Trend		1.050		1.050		1.050		1.050		
Mileage Rate Adjustment Factor		0.964		0.964		0.964		0.964		
Under Reported - All Other Services		1.000		1.000		1.271		1.259		
Limit Demand Response to 120% FFS		0.889		0.889		0.889		0.889		
Projected FY2017 Client Service Costs	6,372,106	10.410	5,372,978	26.154	1,677,285	0.696	969,060	1.488	14,391,430	3.709
Administrative Expenses										
Fixed Amount (2)	122,421	0.200	41,088	0.200	482,181	0.200	130,262	0.200	775,952	0.200
Percentage of Premium	1,694,269	20.3 %	1,412,402	20.3 %	625,109	22.0 %	318,225	22.0 %	4,050,005	1.044
Total	1,816,690	2.968	1,453,490	7.075	1,107,290	0.459	448,487	0.689	4,825,957	1.244
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2017 Total Cost	8,355,914	13.65	6,965,784	33.91	2,841,404	1.18	1,446,477	2.22	19,609,579	5.054
Current Rates (FY2016)	6,255,693	10.22	5,014,789	24.41	2,989,524	1.24	1,615,247	2.48	15,875,254	4.092
% Change		33.6%		38.9%		-5.0%		-10.4%		23.5%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties			
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2015 Experience										
Member Months	942,577		120,046		3,053,308		336,979		4,452,910	
Estimated Client Services Costs										
Demand Response	4,697,899	4.984	1,304,811	10.869	458,003	0.150	142,331	0.422	6,603,044	1.483
Mileage	103,056	0.109	148,178	1.234	126,936	0.042	84,354	0.250	462,523	0.104
All Other	56,229	0.060	43,118	0.359	207,060	0.068	87,481	0.260	393,887	0.088
Total	4,857,183	5.153	1,496,107	12.463	791,998	0.259	314,166	0.932	7,459,454	1.675
Projected FY2017 Member Months (1)	941,590		118,683		3,157,464		346,388		4,564,126	
Rating Adjustments										
Client Service Trend		1.050		1.050		1.050		1.050		
Mileage Rate Adjustment Factor		0.964		0.964		0.964		0.964		
Under Reported - All Other Services		1.000		1.000		1.265		1.353		
Projected FY2017 Client Service Costs	5,259,152	5.585	1,598,748	13.471	944,881	0.299	381,351	1.101	8,184,132	1.793
Administrative Expenses										
Fixed Amount (2)	188,318	0.200	23,737	0.200	631,493	0.200	69,278	0.200	912,825	0.200
Percentage of Premium	1,576,899	22.0 %	469,667	22.0 %	456,319	22.0 %	130,445	22.0 %	2,633,330	0.577
Total	1,765,217	1.875	493,403	4.157	1,087,811	0.345	199,723	0.577	3,546,155	0.777
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2017 Total Cost	7,167,723	7.61	2,134,849	17.99	2,074,176	0.66	592,933	1.71	11,969,680	2.623
Current Rates (FY2016)	6,082,670	6.46	1,140,548	9.61	2,525,971	0.80	585,396	1.69	10,334,585	2.264
% Change		17.8%		87.2%		-17.9%		1.3%		15.8%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2015 Experience										
Member Months			98,288				296,671		394,959	
Estimated Client Services Costs										
Demand Response			998,262	10.157			162,436	0.548	1,160,698	2.939
Mileage			115,248	1.173			97,029	0.327	212,277	0.537
All Other			36,393	0.370			60,339	0.203	96,731	0.245
Total			1,149,902	11.699			319,804	1.078	1,469,706	3.721
Projected FY2017 Member Months (1)	1		98,184		20		305,894		404,099	
Rating Adjustments										
Client Service Trend				1.050				1.050		
Mileage Rate Adjustment Factor				0.964				0.964		
Under Reported - All Other Services				1.000				1.000		
Projected FY2017 Client Service Costs			1,241,539	12.645			353,805	1.157	1,595,345	3.948
Administrative Expenses										
Fixed Amount (2)			19,637	0.200			61,179	0.200	80,816	0.200
Percentage of Premium			365,077	22.0 %			120,127	22.0 %	485,204	1.201
Total			384,714	3.918			181,306	0.593	566,020	1.401
Risk Margin				2.0 %				2.0 %		
Projected FY2017 Total Cost	17	16.90	1,659,442	16.90	35	1.79	546,032	1.79	2,205,526	5.458
Current Rates (FY2016)	17	16.75	1,644,584	16.75	65	3.33	1,018,628	3.33	2,663,294	6.591
% Change		0.9%		0.9%		-46.4%		-46.4%		-17.2%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties			
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2015 Experience										
Member Months	1,231,400		250,876		4,689,121		667,250		6,838,647	
Estimated Client Services Costs										
Demand Response	6,422,450	5.216	1,937,906	7.725	3,011,535	0.642	355,711	0.533	11,727,601	1.715
Mileage	543,012	0.441	663,765	2.646	897,292	0.191	319,798	0.479	2,423,867	0.354
All Other	126,973	0.103	28,300	0.113	1,556,723	0.332	199,519	0.299	1,911,515	0.280
Total	7,092,434	5.760	2,629,971	10.483	5,465,550	1.166	875,027	1.311	16,062,983	2.349
Projected FY2017 Member Months (1)	1,208,805		246,912		4,838,848		694,544		6,989,109	
Rating Adjustments										
Client Service Trend		1.050		1.050		1.050		1.050		
Mileage Rate Adjustment Factor		0.964		0.964		0.964		0.964		
Projected FY2017 Client Service Costs	7,531,456	6.230	2,782,392	11.269	6,081,994	1.257	975,084	1.404	17,370,926	2.485
Administrative Expenses										
Fixed Amount (2)	241,761	0.200	49,382	0.200	967,770	0.200	138,909	0.200	1,397,822	0.200
Percentage of Premium	2,250,142	22.0 %	819,724	22.0 %	2,040,721	22.0 %	322,471	22.0 %	5,433,059	0.777
Total	2,491,903	2.061	869,107	3.520	3,008,491	0.622	461,380	0.664	6,830,880	0.977
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2017 Total Cost	10,227,918	8.46	3,726,020	15.09	9,276,005	1.92	1,465,779	2.11	24,695,721	3.533
Current Rates (FY2016)	8,352,844	6.91	4,444,420	18.00	15,532,701	3.21	2,354,503	3.39	30,684,468	4.390
% Change		22.4%		-16.2%		-40.3%		-37.7%		-19.5%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2015 Experience										
Member Months	113,014		56,707		351,545		150,349		671,616	
Estimated Client Services Costs										
Demand Response	1,272,969	11.264	719,968	12.696	159,247	0.453	83,815	0.557	2,235,999	3.329
Mileage	62,317	0.551	95,399	1.682	45,763	0.130	58,629	0.390	262,108	0.390
All Other	48,922	0.433	20,662	0.364	86,892	0.247	55,649	0.370	212,124	0.316
Total	1,384,207	12.248	836,029	14.743	291,902	0.830	198,093	1.318	2,710,231	4.035
Projected FY2017 Member Months (1)	113,718		56,712		362,540		155,512		688,482	
Rating Adjustments										
Client Service Trend		1.050		1.050		1.050		1.050		
Mileage Rate Adjustment Factor		0.964		0.964		0.964		0.964		
Under Reported - All Other Services		1.000		1.000		1.237		1.219		
Limit Demand Response to 120% FFS		0.925		0.925		0.925		0.925		
Projected FY2017 Client Service Costs	1,404,354	12.349	844,754	14.896	334,422	0.922	226,556	1.457	2,810,085	4.082
Administrative Expenses										
Fixed Amount (2)	22,744	0.200	11,342	0.200	72,508	0.200	31,102	0.200	137,696	0.200
Percentage of Premium	404,813	21.7 %	242,842	21.7 %	117,795	22.0 %	74,585	22.0 %	840,036	1.220
Total	427,557	3.760	254,184	4.482	190,303	0.525	105,688	0.680	977,732	1.420
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2017 Total Cost	1,869,296	16.44	1,121,366	19.77	535,434	1.48	339,024	2.18	3,865,120	5.614
Current Rates (FY2016)	1,250,898	11.00	686,781	12.11	496,679	1.37	295,473	1.90	2,729,831	3.965
% Change		49.4%		63.3%		7.8%		14.7%		41.6%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2015 Experience										
Member Months	1,875,320		98,206		8,077,418		294,126		10,345,070	
Estimated Client Services Costs										
Demand Response	15,933,266	8.496	1,395,498	14.210	2,221,061	0.275	246,536	0.838	19,796,361	1.914
Mileage	556,643	0.297	155,623	1.585	542,095	0.067	148,452	0.505	1,402,813	0.136
All Other	361,862	0.193	-5,854	-0.060	172,616	0.021	12,539	0.043	541,163	0.052
Total	16,851,771	8.986	1,545,266	15.735	2,935,773	0.363	407,527	1.386	21,740,337	2.102
Projected FY2017 Member Months (1)	1,865,250		97,461		8,309,322		303,890		10,575,923	
Rating Adjustments										
Client Service Trend		1.050		1.050		1.050		1.050		
Mileage Rate Adjustment Factor		0.964		0.964		0.964		0.964		
Under Reported - All Other Services		1.000		1.000		1.289		1.235		
Projected FY2017 Client Service Costs	18,159,755	9.736	1,657,471	17.007	3,310,061	0.398	454,080	1.494	23,581,367	2.230
Administrative Expenses										
Fixed Amount (2)	373,050	0.200	19,492	0.200	1,661,864	0.200	60,778	0.200	2,115,185	0.200
Percentage of Premium	5,364,759	22.0 %	485,437	22.0 %	1,439,242	22.0 %	149,038	22.0 %	7,438,475	0.703
Total	5,737,809	3.076	504,929	5.181	3,101,106	0.373	209,816	0.690	9,553,660	0.903
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2017 Total Cost	24,385,269	13.07	2,206,530	22.64	6,542,007	0.79	677,445	2.23	33,811,251	3.197
Current Rates (FY2016)	23,203,709	12.44	2,336,131	23.97	7,644,576	0.92	850,892	2.80	34,035,309	3.218
% Change		5.1%		-5.5%		-14.4%		-20.4%		-0.7%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Adults				Children (incl. CSHCN)				Total	
	Urban Counties		Rural Counties		Urban Counties		Rural Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2015 Experience										
Member Months	2,241,285		236,366		9,172,808		689,810		12,340,268	
Estimated Client Services Costs										
Demand Response	11,831,109	5.279	2,950,458	12.483	1,460,490	0.159	252,930	0.367	16,494,988	1.337
Mileage	1,080,680	0.482	743,807	3.147	1,281,485	0.140	653,468	0.947	3,759,440	0.305
All Other	157,742	0.070	65,662	0.278	698,467	0.076	114,612	0.166	1,036,483	0.084
Total	13,069,531	5.831	3,759,928	15.907	3,440,443	0.375	1,021,009	1.480	21,290,911	1.725
Projected FY2017 Member Months (1)	2,208,697		232,163		9,442,984		714,642		12,598,485	
Rating Adjustments										
Client Service Trend		1.050		1.050		1.050		1.050		
Mileage Rate Adjustment Factor		0.964		0.964		0.964		0.964		
Projected FY2017 Client Service Costs	13,929,327	6.307	3,977,634	17.133	3,790,711	0.401	1,121,146	1.569	22,818,818	1.811
Administrative Expenses										
Fixed Amount (2)	441,739	0.200	46,433	0.200	1,888,597	0.200	142,928	0.200	2,519,697	0.200
Percentage of Premium	4,160,045	22.0 %	1,164,861	22.0 %	1,644,010	22.0 %	365,916	22.0 %	7,334,833	0.582
Total	4,601,785	2.083	1,211,294	5.217	3,532,607	0.374	508,845	0.712	9,854,531	0.782
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2017 Total Cost	18,909,298	8.56	5,294,825	22.81	7,472,774	0.79	1,663,256	2.33	33,340,152	2.646
Current Rates (FY2016)	18,045,052	8.17	5,054,196	21.77	8,215,396	0.87	1,972,411	2.76	33,287,054	2.642
% Change		4.8%		4.8%		-9.0%		-15.7%		0.2%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

Attachment 2

Adjustment for Underreported Claims

Two of the transportation organizations, AMR and Logisticare, underreported some of their claims experience for the all other service category. The base period claims cost for these two organizations were adjusted to account for the underreported claims cost.

Exhibit A presents the underreported claims adjustment factor for AMR. The claim cost for the underreported period from September 2015 through December 2015 were assumed to have the same per member per month (PMPM) cost as the prior four months. The underreported claims impact all service categories.

Exhibit B and Exhibit C presents the underreported claims adjustment factor for Logisticare. The claim cost for the underreported period from October 2015 through December 2015 were assumed to have the same per member per month (PMPM) cost as the prior four months. Exhibit B presents the underreported claims adjustment factor for the Children Urban risk group. Exhibit C presents the underreported claims adjustment factor for the Children Rural risk group. The underreported claims only impact the Children Urban and Children Rural risk groups.

Medical Transportation Program
 FY2017 MTO/FRB Rate Setting
 Underreported Claims Adjustment Factor - All Risk Groups
 All Other Service Category
 AMR

Month	Region 3 - All Age Groups			Region 6 - All Age Groups		
	Members	Inc. Claims	PMPM	Members	Inc. Claims	PMPM
Jan-15	67,851	5,891	0.09	41,580	14,958	0.36
Feb-15	67,993	8,195	0.12	41,745	14,359	0.34
Mar-15	68,327	17,411	0.25	41,720	8,444	0.20
Apr-15	68,089	19,689	0.29	41,525	19,884	0.48
May-15	67,958	23,442	0.34	41,435	15,763	0.38
Jun-15	68,228	10,932	0.16	41,550	19,703	0.47
Jul-15	68,132	19,247	0.28	41,486	14,287	0.34
Aug-15	68,582	10,089	0.15	41,695	9,751	0.23
Sep-15	68,911	-	-	41,781	-	-
Oct-15	69,277	-	-	41,819	-	-
Nov-15	69,525	-	-	41,949	-	-
Dec-15	69,689	-	-	42,175	-	-
5/15-8/15	272,900	63,710	0.23	166,166	59,504	0.36
9/15-12/15 - Actual	277,402	-	-	167,724	-	-
9/15-12/15 - Esti (1)	277,402	64,761	0.23	167,724	60,062	0.36
9/15-12/15 - Diff		64,761			60,062	
CY2015		114,895			117,150	
Adj. CY2015 (2)		179,656			177,213	
Adj. Factor		1.564			1.513	

(1) Assumes same PMPM as prior 4 months.

(2) Adjust CY2015 incurred claims by adding additional claims from 9/15-12/15.

Medical Transportation Program
 FY2017 MTO/FRB Rate Setting
 Underreported Claims Adjustment Factor - Children Urban Risk Group
 All Other Service Category
 Logisticare

Month	Region 7			Region 8			Region 11			SDA 1		
	Members	Inc. Claims	PMPM	Members	Inc. Claims	PMPM	Members	Inc. Claims	PMPM	Members	Inc. Claims	PMPM
Jan-15	196,684	41,040	0.21	255,571	22,626	0.09	29,660	17,355	0.59	682,626	26,662	0.04
Feb-15	197,170	38,166	0.19	255,945	19,079	0.07	29,625	9,423	0.32	681,947	10,563	0.02
Mar-15	196,508	39,227	0.20	255,103	25,896	0.10	29,569	6,787	0.23	679,661	16,423	0.02
Apr-15	194,810	43,228	0.22	253,054	30,279	0.12	29,312	6,333	0.22	673,693	18,328	0.03
May-15	193,557	39,946	0.21	252,468	19,734	0.08	29,133	4,576	0.16	669,605	22,288	0.03
Jun-15	193,189	47,427	0.25	252,446	20,513	0.08	29,098	6,214	0.21	668,541	15,664	0.02
Jul-15	193,329	35,540	0.18	252,475	25,468	0.10	29,028	6,790	0.23	666,612	26,429	0.04
Aug-15	193,617	34,042	0.18	253,724	19,268	0.08	29,127	11,859	0.41	668,136	24,262	0.04
Sep-15	194,025	33,561	0.17	254,769	14,693	0.06	29,190	6,263	0.21	668,961	14,543	0.02
Oct-15	194,341	14,175	0.07	255,113	5,892	0.02	29,187	4,444	0.15	669,985	4,984	0.01
Nov-15	194,764	46	0.00	255,742	237	0.00	29,184	-	-	671,807	1,404	0.00
Dec-15	194,737	37	0.00	255,979	292	0.00	29,278	-	-	670,294	1,525	0.00
6/15-9/15	774,160	150,571	0.19	1,013,414	79,942	0.08	116,443	31,127	0.27	2,672,250	80,897	0.03
10/15-12/15 - Actual	583,842	14,258	0.02	766,834	6,421	0.01	87,649	4,444	0.05	2,012,086	7,913	0.00
10/15-12/15 - Esti (1)	583,842	113,555	0.19	766,834	60,491	0.08	87,649	23,430	0.27	2,012,086	60,912	0.03
10/15-12/15 - Diff		99,297			54,070			18,986			53,000	
CY2015		366,436			203,977			80,045			183,073	
Adj. CY2015 (2)		465,733			258,047			99,031			236,072	
Adj. Factor		1.271			1.265			1.237			1.289	

(1) Assumes same PMPM as prior 4 months.

(2) Adjust CY2015 incurred claims by adding additional claims from 10/15-12/15.

Medical Transportation Program
 FY2017 MTO/FRB Rate Setting
 Underreported Claims Adjustment Factor - Children Rural Risk Group
 All Other Service Category
 Logisticare

Month	Region 7			Region 8			Region 11			SDA 1		
	Members	Inc. Claims	PMPM	Members	Inc. Claims	PMPM	Members	Inc. Claims	PMPM	Members	Inc. Claims	PMPM
Jan-15	52,096	18,290	0.35	28,112	9,248	0.33	12,527	9,528	0.76	24,802	5,295	0.21
Feb-15	52,353	16,861	0.32	28,222	9,352	0.33	12,539	3,317	0.26	24,733	575	0.02
Mar-15	52,235	26,594	0.51	28,092	6,617	0.24	12,562	8,730	0.69	24,644	1,393	0.06
Apr-15	51,978	9,513	0.18	27,896	8,200	0.29	12,454	8,578	0.69	24,540	865	0.04
May-15	51,855	11,140	0.21	27,789	5,713	0.21	12,346	2,703	0.22	24,416	275	0.01
Jun-15	51,826	18,450	0.36	27,693	8,901	0.32	12,394	2,090	0.17	24,300	725	0.03
Jul-15	51,920	10,184	0.20	27,781	9,103	0.33	12,447	5,629	0.45	24,205	2,349	0.10
Aug-15	52,330	11,913	0.23	27,855	13,874	0.50	12,457	5,281	0.42	24,402	1,550	0.06
Sep-15	52,858	5,981	0.11	28,103	12,016	0.43	12,554	4,617	0.37	24,518	475	0.02
Oct-15	52,925	1,750	0.03	28,334	3,224	0.11	12,653	1,954	0.15	24,517	-	-
Nov-15	53,232	-	-	28,489	-	-	12,748	-	-	24,525	-	-
Dec-15	53,498	-	-	28,613	-	-	12,668	-	-	24,524	553	0.02
6/15-9/15	208,934	46,527	0.22	111,432	43,894	0.39	49,852	17,617	0.35	97,425	5,099	0.05
10/15-12/15 - Actual	159,656	1,750	0.01	85,436	3,224	0.04	38,069	1,954	0.05	73,566	553	0.01
10/15-12/15 - Esti (1)	159,656	35,554	0.22	85,436	33,654	0.39	38,069	13,453	0.35	73,566	3,851	0.05
10/15-12/15 - Diff		33,804			30,430			11,499			3,298	
CY2015		130,676			86,249			52,427			14,055	
Adj. CY2015 (2)		164,480			116,679			63,926			17,353	
Adj. Factor		1.259			1.353			1.219			1.235	

(1) Assumes same PMPM as prior 4 months.

(2) Adjust CY2015 incurred claims by adding additional claims from 10/15-12/15.

Attachment 3

Limit Demand Response Cost per Trip to 120% of Fee-For-Service Adjustment Factor

Effective September 1, 2014, a full risk capitated arrangement was expanded to the remaining Texas regions through the MTO contracts. Effective with this change, some MTOs reimbursed demand response providers significantly higher than under FFS.

The demand response cost per trip was compared between the FY2014 fee-for-service and the FY2015 managed care experience. The demand response cost per trip for FY2015 was then capped at 120% of FFS. Attachment 3 presents the derivation of this adjustment factor.

Medical Transportation Program
 FY2017 MTO/FRB Rate Setting
 Limit Demand Response Cost per Trip to 120% of FFS

Region	MTO	Fee-For-Service FY2014			FSR - FY2015 120 Days			Avg. Cost
		Operating Cost	Trips	Avg. Cost	Operating Cost	Trips	Avg. Cost	Ratio
		(1)	(2)	(3)	(4)	(5)	(6)	(7)=(6)/(3)
3	AMR	3,154,867	49,213	64.11	2,619,161	49,126	53.32	0.83
6	AMR	942,411	36,248	26.00	1,456,151	33,715	43.19	1.66
1	LeFluer	3,206,340	67,525	47.48	2,368,644	65,638	36.09	0.76
8	LeFluer	4,229,878	161,782	26.15	3,846,963	173,749	22.14	0.85
10	LeFluer	22,840,186	690,678	33.07	12,042,870	411,907	29.24	0.88
7	Logisticare	9,628,525	188,449	51.09	12,555,896	182,073	68.96	1.35
8	Logisticare	1,409,959	53,927	26.15	1,858,892	61,242	30.35	1.16
11	Logisticare	1,562,380	41,564	37.59	2,092,418	42,914	48.76	1.30
5	MTM	10,024,837	237,526	42.21	7,639,309	213,799	35.73	0.85
9	MTM	1,473,037	36,235	40.65	1,154,701	26,110	44.22	1.09
2	Project Amist	5,364,428	159,329	33.67	5,568,097	150,473	37.00	1.10

Region	MTO	Cost per Trip Capped at 120% FFS			
		Ratio	Cost per Trip	Proj. Cost	Adj. Factor
		(8)=Min[(7),1.20]	(9)=(8)*(3)	(10)=(9)*(5)	(11)=(10)/(4)
3	AMR	0.83	53.32	2,619,161	1.000
6	AMR	1.20	31.20	1,051,866	0.722
1	LeFluer	0.76	36.09	2,368,644	1.000
8	LeFluer	0.85	22.14	3,846,963	1.000
10	LeFluer	0.88	29.24	12,042,870	1.000
7	Logisticare	1.20	61.31	11,163,303	0.889
8	Logisticare	1.16	30.35	1,858,892	1.000
11	Logisticare	1.20	45.11	1,935,741	0.925
5	MTM	0.85	35.73	7,639,309	1.000
9	MTM	1.09	44.22	1,154,701	1.000
2	Project Amist	1.10	37.00	5,568,097	1.000