

**STATE OF TEXAS
MEDICAL TRANSPORTATION PROGRAM
RATE SETTING
STATE FISCAL YEAR 2015**

Prepared for:
Texas Health and Human Services Commission

Prepared by:
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I. Introduction

Rudd and Wisdom, Inc. has developed the state fiscal year 2015 (FY2015, September 1, 2014 through August 31, 2015) 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 FRB contracts operating in the Houston and Dallas/Fort Worth regions. The FRBs provides non-emergency medical transportation services under a full risk capitated arrangement. The remaining Texas regions are currently the financial responsibility of HHSC directly, provided under the agency's Medical Transportation Program. Effective September 1, 2014, the MTO contracts will become effective in the remaining Texas regions under a full risk capitated arrangement.

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

- Monthly enrollment by risk group and county. This includes historical enrollment since September 2009 and a projection of future enrollment through August 2015.
- Detailed fee-for-service (FFS) paid claim encounter files for all non-emergency transportation services for the period March 2012 through February 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 February 2014. These files were provided by MTP.
- Detailed FRB paid claim encounter files for the period March 2012 through February 2014. These files were provided by the FRBs.
- Claim lag reports for each FRB for the period March 2012 through February 2014. These reports were provided by the FRBs and include monthly paid claims by month of service, service category and risk group.
- Financial Statistical Reports (FSR) for the FRBs for FY2012, FY2013 and the first six months of FY2014. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the FRBs.
- Information from MTP regarding recent changes to Individual Transportation Participant mileage reimbursement.
- Information from MTP regarding administrative expenses.

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

II. Overview of the Rate Setting Methodology

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, (ii) the claim amounts included in the FSRs and (iii) the claim amounts in the encounter data files provided by the FRBs. 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.

The actuarial model used to derive the FY2015 FRB and MTO premium rates relies primarily on historical FRB and FFS financial experience. The historical claims experience data was analyzed and estimates for the base period January 1, 2013 through December 31, 2013 (CY2013) were developed. These estimates were then projected forward to FY2015 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 FY2015 cost. This analysis was conducted for each Texas region.

Premiums rates were developed for the following Texas regions:

- MTO Region 1 – Panhandle
- MTO Region 2 – West Texas
- MTO Region 3 – Northwest Central
- MTO Region 4 – North Texas
- 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 Logisticare – Dallas/Fort Worth
- FRB MTM – Houston

Premium 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 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 FY2015 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.

Managed Care Savings Factor

The managed care savings factor was developed based on a study of the unit cost difference between FFS and managed care for the Dallas/Fort Worth and Houston regions. There is potential for unit cost savings as a result of the difference in provider reimbursement methodology between FFS and managed care. It is assumed that the MTO's will pay less than FFS for the same services, especially for demand response services. For example, demand response is paid on a per-passenger basis under FFS but may be paid on a per-trip basis under managed care.

Based on our analysis, we have assumed a 10% managed care discount factor for all MTO regions. We are using managed care data to set the rates for the FRBs in the Dallas/Fort Worth and Houston regions. As a result, the managed care discount factor does not apply to the Dallas/Fort Worth and Houston regions.

Individual Transportation Participant Reimbursement Change

Effective June 1, 2014 reimbursement for Individual Transportation Participant (ITP) services will increase from \$0.50 a mile to \$0.56 a mile. The base period claim cost for ITP has been increased by 12% to reflect this change.

Area Adjustment Factor

The Area Adjustment Factor accounts for the movement of Collin and Wise counties from the Dallas/Fort Worth FRB region to Region 4. Attachment 2 presents a summary of the derivation of this adjustment factor.

Claim Adjustment Factor

The Claim Adjustment Factor recognizes that transportation services to certain providers (mostly therapy) were underreported by the FRBs during the experience period. We have assumed that this will increase cost by 2.5%. This adjustment factor only applies to the FRBs in the Dallas/Fort Worth and Houston regions.

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 FY2015 FRB and MTO rate setting analysis. Attachment 1 shows the derivation of the premium rates.

Region	Medicaid Children		Medicaid Adults		CSHCN	TICP
	Rural	Urban	Rural	Urban		
Region 1	\$2.66	\$1.62	\$16.75	\$10.38	\$1.62	
Region 2	3.75	1.77	23.53	8.89	1.77	
Region 3	3.71	2.13	24.80	12.34	2.13	
Region 4	2.62	2.34	12.45	8.74	2.34	
Region 5	2.99	2.11	19.20	13.15	2.11	
Region 6	2.97	2.97	14.82	14.82	2.97	
Region 7	2.67	1.19	24.95	10.17	1.19	
Region 8	1.81	0.81	9.57	6.54	0.81	
Region 9	3.27	3.27	16.48	16.48	3.27	
Region 10	5.75	7.17	18.03	7.09	7.17	7.17
Region 11	2.22	1.50	13.38	11.65	1.50	
FRB - Logisticare	3.12	1.08	24.19	12.20	1.08	
FRB - MTM	3.45	0.95	22.63	8.12	0.95	

VI. Actuarial Certification of FY2015 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.

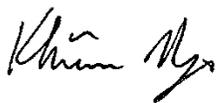
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to develop the capitation rates applicable to the Texas Medicaid Medical Transportation Program's Full Risk Broker (FRB) and Medical Transportation Organization (MTO) contracts for the state fiscal year 2015 and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c).

I certify that the FY2015 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 FY2015 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 4 – North Texas
- Exhibit E – MTO Region 5 – East Texas
- Exhibit F – MTO Region 6 – Southwest Texas
- Exhibit G – MTO Region 7 – Central Texas
- Exhibit H – MTO Region 8 – South Central Texas
- Exhibit I – MTO Region 9 – Southeast Texas
- Exhibit J – MTO Region 10 – South Texas
- Exhibit K – MTO Region 11 – Northeast Central
- Exhibit L – FRB Logisticare – Dallas/Fort Worth
- Exhibit M – FRB MTM – Houston

These exhibits show the calculation of the FY2015 premium rates for each region. The top portion of the exhibit shows summary base period (CY2013) enrollment and claims experience by service category. These estimates were then projected forward to FY2015 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 FY2015 cost based on these assumptions.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2013 FFS Experience										
Member Months	411,659		653,408		121,700		204,434		1,391,201	
Estimated Client Services Costs										
Demand Response	203,934	0.495	293,619	0.449	1,182,714	9.718	1,534,696	7.507	3,214,963	2.311
Mileage	366,350	0.890	183,069	0.280	318,567	2.618	53,681	0.263	921,667	0.662
All Other	153,962	0.374	192,629	0.295	22,142	0.182	15,867	0.078	384,600	0.276
Total	724,246	1.759	669,317	1.024	1,523,423	12.518	1,604,244	7.847	4,521,230	3.250
Projected FY2015 Member Months (1)	499,312		800,757		130,924		220,726		1,651,719	
Rating Adjustments										
Area Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	909,643	1.822	827,050	1.033	1,640,096	12.527	1,697,733	7.692	5,074,522	3.072
Administrative Expenses										
Fixed Amount (2)	99,862	0.200	160,151	0.200	26,185	0.200	44,145	0.200	330,344	0.200
Percentage of Premium	292,225	22.0 %	285,769	22.0 %	482,345	22.0 %	504,228	22.0 %	1,564,567	0.947
Total	392,088	0.785	445,920	0.557	508,529	3.884	548,373	2.484	1,894,910	1.147
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	1,328,297	2.66	1,298,949	1.62	2,192,475	16.75	2,291,945	10.38	7,111,666	4.306

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2013 FFS Experience										
Member Months	188,202		1,754,488		80,974		564,666		2,588,329	
Estimated Client Services Costs										
Demand Response	180,263	0.958	709,705	0.405	1,032,236	12.748	3,466,129	6.138	5,388,333	2.082
Mileage	210,519	1.119	369,693	0.211	371,716	4.591	170,843	0.303	1,122,770	0.434
All Other	94,326	0.501	928,586	0.529	17,851	0.220	135,217	0.239	1,175,980	0.454
Total	485,108	2.578	2,007,984	1.144	1,421,803	17.559	3,772,189	6.680	7,687,084	2.970
Projected FY2015 Member Months (1)	233,171		2,151,116		86,357		610,862		3,081,506	
Rating Adjustments										
Area Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	617,297	2.647	2,456,530	1.142	1,526,741	17.679	4,005,503	6.557	8,606,071	2.793
Administrative Expenses										
Fixed Amount (2)	46,634	0.200	430,223	0.200	17,271	0.200	122,172	0.200	616,301	0.200
Percentage of Premium	192,191	22.0 %	835,639	22.0 %	446,951	22.0 %	1,194,854	22.0 %	2,669,634	0.866
Total	238,825	1.024	1,265,862	0.588	464,222	5.376	1,317,026	2.156	3,285,935	1.066
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	873,594	3.75	3,798,360	1.77	2,031,595	23.53	5,431,152	8.89	12,134,701	3.938

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2013 FFS Experience										
Member Months	247,801		276,536		119,567		110,085		753,989	
Estimated Client Services Costs										
Demand Response	286,126	1.155	116,777	0.422	1,946,871	16.283	983,462	8.934	3,333,237	4.421
Mileage	254,095	1.025	150,651	0.545	324,781	2.716	61,495	0.559	791,022	1.049
All Other	93,502	0.377	116,593	0.422	28,204	0.236	7,506	0.068	245,805	0.326
Total	633,723	2.557	384,021	1.389	2,299,857	19.235	1,052,463	9.560	4,370,064	5.796
Projected FY2015 Member Months (1)	303,196		338,912		128,422		118,870		889,401	
Rating Adjustments										
Area Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	793,391	2.617	481,090	1.420	2,452,375	19.096	1,117,234	9.399	4,844,090	5.446
Administrative Expenses										
Fixed Amount (2)	60,639	0.200	67,782	0.200	25,684	0.200	23,774	0.200	177,880	0.200
Percentage of Premium	247,219	22.0 %	158,884	22.0 %	643,404	20.2 %	296,251	20.2 %	1,345,758	1.513
Total	307,859	1.015	226,666	0.669	669,088	5.210	320,025	2.692	1,523,639	1.713
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	1,123,724	3.71	722,200	2.13	3,185,166	24.80	1,466,591	12.34	6,497,682	7.306

Notes:

- (1) From HHSC System Forecasting Division.
- (2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2013 FFS Experience										
Member Months	165,919		285,037		69,190		113,439		633,585	
Estimated Client Services Costs										
Demand Response	176,928	1.066	155,030	0.544	627,739	9.073	649,945	5.729	1,609,643	2.541
Mileage	100,183	0.604	94,223	0.331	106,644	1.541	41,894	0.369	342,944	0.541
All Other	35,269	0.213	91,547	0.321	4,828	0.070	13,717	0.121	145,361	0.229
Total	312,381	1.883	340,800	1.196	739,212	10.684	705,556	6.220	2,097,949	3.311
Projected FY2015 Member Months (1)	266,607		857,572		92,187		246,628		1,462,994	
Rating Adjustments										
Area Adjustment Factor		0.940		1.310		0.873		1.054		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	478,352	1.794	1,354,789	1.580	853,937	9.263	1,589,614	6.445	4,276,692	2.923
Administrative Expenses										
Fixed Amount (2)	53,321	0.200	171,514	0.200	18,437	0.200	49,326	0.200	292,599	0.200
Percentage of Premium	153,905	22.0 %	441,825	22.0 %	252,529	22.0 %	474,430	22.0 %	1,322,689	0.904
Total	207,227	0.777	613,339	0.715	270,967	2.939	523,755	2.124	1,615,288	1.104
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	699,570	2.62	2,008,294	2.34	1,147,861	12.45	2,156,499	8.74	6,012,225	4.110

Notes:

(1) From HHSC System Forecasting Division. Includes Collin and Wise counties.

(2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2013 FFS Experience										
Member Months	1,318,009		424,562		550,447		149,513		2,442,530	
Estimated Client Services Costs										
Demand Response	1,352,905	1.026	260,622	0.614	7,442,347	13.521	1,430,053	9.565	10,485,928	4.293
Mileage	895,917	0.680	174,461	0.411	605,992	1.101	57,746	0.386	1,734,117	0.710
All Other	440,268	0.334	155,816	0.367	69,971	0.127	19,233	0.129	685,288	0.281
Total	2,689,090	2.040	590,899	1.392	8,118,311	14.749	1,507,033	10.080	12,905,332	5.284
Projected FY2015 Member Months (1)	1,614,276		518,725		592,563		161,798		2,887,362	
Rating Adjustments										
Area Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	3,343,857	2.071	729,773	1.407	8,608,275	14.527	1,599,433	9.885	14,281,339	4.946
Administrative Expenses										
Fixed Amount (2)	322,855	0.200	103,745	0.200	118,513	0.200	32,360	0.200	577,472	0.200
Percentage of Premium	1,061,417	22.0 %	241,282	22.0 %	2,423,476	21.3 %	453,158	21.3 %	4,179,332	1.447
Total	1,384,272	0.858	345,027	0.665	2,541,988	4.290	485,517	3.001	4,756,804	1.647
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	4,824,621	2.99	1,096,734	2.11	11,377,820	19.20	2,127,501	13.15	19,426,676	6.728

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2013 FFS Experience										
Member Months	330,489		0		140,205		0		470,694	
Estimated Client Services Costs										
Demand Response	104,913	0.317	0		975,430	6.957	0		1,080,343	2.295
Mileage	374,849	1.134	0		498,030	3.552	0		872,879	1.854
All Other	172,098	0.521	0		55,330	0.395	0		227,429	0.483
Total	651,860	1.972	0		1,528,790	10.904	0		2,180,650	4.633
Projected FY2015 Member Months (1)	401,760		213		149,817		0		551,790	
Rating Adjustments										
Area Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	826,993	2.058	0	0.000	1,657,139	11.061	0	0.000	2,484,132	4.502
Administrative Expenses										
Fixed Amount (2)	80,352	0.200	43	0.200	29,963	0.200	0	0.200	110,358	0.200
Percentage of Premium	262,652	22.0 %	12	22.0 %	488,372	22.0 %	0	22.0 %	751,037	1.361
Total	343,004	0.854	55		518,335	3.460	0		861,395	1.561
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	1,193,875	2.97	56	2.97	2,219,872	14.82	0	14.82	3,413,803	6.187

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2013 FFS Experience										
Member Months	533,091		2,051,860		202,196		585,923		3,373,070	
Estimated Client Services Costs										
Demand Response	598,569	1.123	1,005,034	0.490	3,617,909	17.893	4,348,029	7.421	9,569,541	2.837
Mileage	259,082	0.486	210,832	0.103	223,285	1.104	128,430	0.219	821,628	0.244
All Other	110,891	0.208	242,341	0.118	17,827	0.088	26,060	0.044	397,118	0.118
Total	968,542	1.817	1,458,206	0.711	3,859,021	19.086	4,502,518	7.684	10,788,287	3.198
Projected FY2015 Member Months (1)	658,027		2,517,804		219,588		630,411		4,025,830	
Rating Adjustments										
Area Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	1,204,594	1.831	1,777,139	0.706	4,119,798	18.762	4,745,486	7.528	11,847,018	2.943
Administrative Expenses										
Fixed Amount (2)	131,605	0.200	503,561	0.200	43,918	0.200	126,082	0.200	805,166	0.200
Percentage of Premium	386,795	22.0 %	660,203	22.0 %	1,205,286	22.0 %	1,410,191	22.0 %	3,662,474	0.910
Total	518,400	0.788	1,163,763	0.462	1,249,204	5.689	1,536,273	2.437	4,467,640	1.110
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	1,758,158	2.67	3,000,921	1.19	5,478,574	24.95	6,409,959	10.17	16,647,611	4.135

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2013 FFS Experience										
Member Months	294,591		2,692,947		116,535		888,125		3,992,198	
Estimated Client Services Costs										
Demand Response	130,279	0.442	729,260	0.271	662,480	5.685	4,164,225	4.689	5,686,243	1.424
Mileage	133,540	0.453	244,287	0.091	146,390	1.256	123,681	0.139	647,898	0.162
All Other	75,139	0.255	146,733	0.054	17,906	0.154	36,494	0.041	276,272	0.069
Total	338,958	1.151	1,120,280	0.416	826,776	7.095	4,324,400	4.869	6,610,413	1.656
Projected FY2015 Member Months (1)	363,294		3,323,942		125,684		964,875		4,777,795	
Rating Adjustments										
Area Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	427,370	1.176	1,385,250	0.417	888,992	7.073	4,602,235	4.770	7,303,847	1.529
Administrative Expenses										
Fixed Amount (2)	72,659	0.200	664,788	0.200	25,137	0.200	192,975	0.200	955,559	0.200
Percentage of Premium	144,745	22.0 %	593,432	22.0 %	264,616	22.0 %	1,388,087	22.0 %	2,390,881	0.500
Total	217,404	0.598	1,258,221	0.379	289,753	2.305	1,581,062	1.639	3,346,440	0.700
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	657,933	1.81	2,697,419	0.81	1,202,801	9.57	6,309,486	6.54	10,867,639	2.275

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2013 FFS Experience										
Member Months	269,743		0		97,327		0		367,071	
Estimated Client Services Costs										
Demand Response	360,847	1.338	0		1,084,514	11.143	0		1,445,362	3.938
Mileage	150,066	0.556	0		113,415	1.165	0		263,481	0.718
All Other	102,190	0.379	0		16,848	0.173	0		119,038	0.324
Total	613,103	2.273	0		1,214,778	12.481	0		1,827,881	4.980
Projected FY2015 Member Months (1)	335,080		164		105,794		0		441,038	
Rating Adjustments										
Area Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	765,353	2.284	0	0.000	1,303,525	12.321	0	0.000	2,068,877	4.691
Administrative Expenses										
Fixed Amount (2)	67,016	0.200	33	0.200	21,159	0.200	0	0.200	88,208	0.200
Percentage of Premium	240,949	22.0 %	10	22.0 %	383,461	22.0 %	0	22.0 %	624,419	1.416
Total	307,965	0.919	42		404,620	3.825	0		712,627	1.616
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	1,095,222	3.27	43	3.27	1,743,005	16.48	0	16.48	2,838,270	6.435

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Amount	pmpm
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm		
CY2013 FFS Experience										
Member Months	607,834		4,383,821		255,096		1,222,311		6,469,061	
Estimated Client Services Costs										
Demand Response	2,312,322	3.804	24,649,556	5.623	2,603,614	10.206	5,720,469	4.680	35,285,961	5.455
Mileage	405,649	0.667	994,475	0.227	795,137	3.117	555,421	0.454	2,750,681	0.425
All Other	207,824	0.342	1,180,440	0.269	34,499	0.135	154,435	0.126	1,577,198	0.244
Total	2,925,795	4.813	26,824,471	6.119	3,433,249	13.459	6,430,324	5.261	39,613,840	6.124
Projected FY2015 Member Months (1)	743,781		5,374,744		273,073		1,318,349		7,709,947	
Rating Adjustments										
Area Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	3,553,270	4.777	32,249,427	6.000	3,687,603	13.504	6,840,973	5.189	46,331,274	6.009
Administrative Expenses										
Fixed Amount (2)	148,756	0.200	1,074,949	0.200	54,615	0.200	263,670	0.200	1,541,989	0.200
Percentage of Premium	492,177	11.5 %	4,430,408	11.5 %	1,083,274	22.0 %	2,056,607	22.0 %	8,062,466	1.046
Total	640,933	0.862	5,505,357	1.024	1,137,888	4.167	2,320,277	1.760	9,604,456	1.246
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	4,279,799	5.75	38,525,290	7.17	4,923,971	18.03	9,348,214	7.09	57,077,275	7.403

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2013 FFS Experience										
Member Months	135,058		322,156		56,851		114,043		628,107	
Estimated Client Services Costs										
Demand Response	89,268	0.661	190,919	0.593	476,683	8.385	971,347	8.517	1,728,217	2.751
Mileage	76,955	0.570	57,158	0.177	86,421	1.520	30,948	0.271	251,483	0.400
All Other	30,325	0.225	56,097	0.174	7,020	0.123	4,535	0.040	97,976	0.156
Total	196,549	1.455	304,174	0.944	570,123	10.028	1,006,830	8.829	2,077,676	3.308
Projected FY2015 Member Months (1)	165,759		394,523		60,908		122,613		743,803	
Rating Adjustments										
Area Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Rate Adjustment Factor		1.120		1.120		1.120		1.120		
Client Services Trend		1.050		1.050		1.050		1.050		
Managed Care Savings Factor		0.900		0.900		0.900		0.900		
Projected FY2015 Client Service Costs	246,562	1.487	371,853	0.943	607,143	9.968	1,060,677	8.651	2,286,236	3.074
Administrative Expenses										
Fixed Amount (2)	33,152	0.200	78,905	0.200	12,182	0.200	24,523	0.200	148,761	0.200
Percentage of Premium	80,970	22.0 %	130,483	22.0 %	179,278	22.0 %	314,137	22.0 %	704,867	0.948
Total	114,122	0.688	209,387	0.531	191,460	3.143	338,659	2.762	853,628	1.148
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	368,045	2.22	593,103	1.50	814,901	13.38	1,427,894	11.65	3,203,943	4.308

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2013 FRB Experience										
Member Months	317,605		7,491,901		113,354		1,852,171		9,775,031	
Estimated Client Services Costs										
Demand Response	228,607	0.720	2,601,125	0.347	1,565,597	13.812	13,491,133	7.284	17,886,461	1.830
Mileage	303,915	0.957	961,837	0.128	192,621	1.699	559,396	0.302	2,017,767	0.206
All Other	13,435	0.042	397,311	0.053	7,673	0.068	90,264	0.049	508,683	0.052
Total	545,956	1.719	3,960,273	0.529	1,765,890	15.579	14,140,793	7.635	20,412,911	2.088
Projected FY2015 Member Months (1)	325,924		8,725,654		106,915		1,912,146		11,070,638	
Rating Adjustments										
Area Adjustment Factor		1.064		1.001		1.013		1.024		
Client Services Trend		1.050		1.050		1.050		1.050		
Claim Adjustment Factor		1.025		1.025		1.025		1.025		
Utilization Adjustment		1.000		1.025		1.023		1.039		
Mileage Reimbursement Change		1.120		1.120		1.120		1.120		
Projected FY2015 Client Service Costs	706,943	2.169	5,419,247	0.621	1,944,429	18.187	17,350,200	9.074	25,420,819	2.296
Administrative Expenses										
Fixed Amount (2)	65,185	0.200	1,745,131	0.200	21,383	0.200	382,429	0.200	2,214,128	0.200
Percentage of Premium	223,511	22.0 %	2,073,899	22.0 %	569,051	22.0 %	5,133,129	22.0 %	7,999,590	22.0 %
Total	288,695	0.886	3,819,030	0.438	590,434	5.522	5,515,559	2.884	10,213,718	0.923
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	1,015,958	3.12	9,426,813	1.08	2,586,595	24.19	23,332,406	12.20	36,361,772	3.285
Current Rates (4/16/2014-8/31/2014)	417,183	1.28	11,168,837	1.28	1,225,247	11.46	21,913,189	11.46	34,724,455	3.137
% Change		143.5%		-15.6%		111.1%		6.5%		4.7%

Notes:

- (1) From HHSC System Forecasting Division.
- (2) Per member per month.

	Children (incl. CSHCN)				Adults				Total	
	Rural Counties		Urban Counties		Rural Counties		Urban Counties			
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2013 FRB Experience										
Member Months	621,337		7,936,946		232,411		2,045,163		10,835,857	
Estimated Client Services Costs										
Demand Response	325,516	0.524	1,472,255	0.185	2,823,731	12.150	9,751,955	4.768	14,373,457	1.326
Mileage	832,559	1.340	1,641,791	0.207	587,118	2.526	952,189	0.466	4,013,658	0.370
All Other	96,313	0.155	442,089	0.056	71,506	0.308	164,403	0.080	774,311	0.071
Total	1,254,388	2.019	3,556,135	0.448	3,482,355	14.984	10,868,547	5.314	19,161,425	1.768
Projected FY2015 Member Months (1)	765,555		9,810,690		250,634		2,235,310		13,062,190	
Rating Adjustments										
Claims Adjustment Factor		1.025		1.025		1.025		1.025		
Client Services Trend		1.050		1.050		1.050		1.050		
Other Adjustment Factor		1.000		1.000		1.000		1.000		
Mileage Reimbursement Change		1.120		1.120		1.120		1.120		
Projected FY2015 Client Service Costs	1,855,248	2.423	5,158,001	0.526	4,259,852	16.996	13,346,358	5.971	24,619,459	1.885
Administrative Expenses										
Fixed Amount (2)	153,111	0.200	1,962,138	0.200	50,127	0.200	447,062	0.200	2,612,438	0.200
Percentage of Premium	581,367	22.0 %	2,061,093	22.0 %	1,247,626	22.0 %	3,992,832	22.0 %	7,882,918	22.0 %
Total	734,478	0.959	4,023,231	0.410	1,297,752	5.178	4,439,894	1.986	10,495,356	0.803
Risk Margin		2.0 %		2.0 %		2.0 %		2.0 %		
Projected FY2015 Total Cost	2,642,577	3.45	9,368,604	0.95	5,671,025	22.63	18,149,237	8.12	35,831,444	2.743
Current Rates (3/16/2014-8/31/2014)	918,667	1.20	11,772,828	1.20	2,253,203	8.99	20,095,439	8.99	35,040,136	2.683
% Change		187.7%		-20.4%		151.7%		-9.7%		2.3%

Notes:

(1) From HHSC System Forecasting Division.

(2) Per member per month.

Attachment 2

Adjustment for Moving Collin and Wise Counties to Region 4

Exhibit A presents a summary of the Region 4 area adjustment factor. The area adjustment factor is selected based on the cost difference between i) Region 4 experience with Collin and Wise counties and ii) Region 4 experience without Collin and Wise counties for the pre-managed care period March 2011 through February 2012.

Exhibit B presents a summary of Logisticare's area adjustment factor for the Dallas/Fort Worth region. The area adjustment factor is calculated based on the cost difference between i) Logisticare's experience without Collin and Wise counties and ii) Logisticare's experience with Collin and Wise counties for the period January 2013 through December 2013.

Medical Transportation Program
 FY2015 Region 4 Rate Setting
 Adjustment Factor for Moving Collin and Wise Counties from SDA #1 (Dallas/FW Area) to Region 4
 Experience Period 3/1/2011 through 2/29/2012

	Children		Adults		Total	
	Rural	Urban	Rural	Urban	Rural	Urban
Member Months						
Collin and Wise Counties	53,698	398,976	14,622	102,190	68,320	501,166
All Other Region 4 Counties	170,433	289,771	68,161	111,032	238,594	400,803
Total	224,131	688,747	82,783	213,222	306,914	901,969
Incurred Claims						
Collin and Wise Counties						
Demand Response	24,953	349,497	44,632	688,044	69,585	1,037,541
Individual Transportation Participant	6,139	17,094	15,224	30,836	21,363	47,930
Advance Funds	106,051	351,379	4,208	14,350	110,260	365,729
All Other Categories	3,980	2,961	3,550	5,564	7,530	8,525
Total	141,123	720,931	67,615	738,794	208,738	1,459,726
All Other Region 4 Counties						
Demand Response	203,033	167,182	859,930	647,597	1,062,963	814,779
Individual Transportation Participant	13,845	5,953	143,515	64,091	157,360	70,043
Advance Funds	864,004	793,783	25,358	38,330	889,362	832,112
All Other Categories	33,786	60,257	11,107	18,044	44,893	78,302
Total	1,114,668	1,027,175	1,039,911	768,062	2,154,579	1,795,237
Total						
Demand Response	227,986	516,679	904,562	1,335,641	1,132,548	1,852,320
Individual Transportation Participant	19,984	23,047	158,739	94,927	178,723	117,974
Advance Funds	970,056	1,145,162	29,567	52,679	999,622	1,197,842
All Other Categories	37,766	63,218	14,657	23,609	52,423	86,827
Total	1,255,791	1,748,106	1,107,525	1,506,857	2,363,317	3,254,963

Medical Transportation Program
 FY2015 Region 4 Rate Setting
 Adjustment Factor for Moving Collin and Wise Counties from SDA #1 (Dallas/FW Area) to Region 4
 Experience Period 3/1/2011 through 2/29/2012

	Children		Adults		Total	
	Rural	Urban	Rural	Urban	Rural	Urban
Incurred Claims pmpm						
Collin and Wise Counties						
Demand Response	0.465	0.876	3.052	6.733	1.019	2.070
Individual Transportation Participant	0.114	0.043	1.041	0.302	0.313	0.096
Advance Funds	1.975	0.881	0.288	0.140	1.614	0.730
All Other Categories	0.074	0.007	0.243	0.054	0.110	0.017
Total	2.628	1.807	4.624	7.230	3.055	2.913
All Other Region 4 Counties						
Demand Response	1.191	0.577	12.616	5.833	4.455	2.033
Individual Transportation Participant	0.081	0.021	2.106	0.577	0.660	0.175
Advance Funds	5.069	2.739	0.372	0.345	3.728	2.076
All Other Categories	0.198	0.208	0.163	0.163	0.188	0.195
Total	6.540	3.545	15.257	6.917	9.030	4.479
Total						
Demand Response	1.017	0.750	10.927	6.264	3.690	2.054
Individual Transportation Participant	0.089	0.033	1.918	0.445	0.582	0.131
Advance Funds	4.328	1.663	0.357	0.247	3.257	1.328
All Other Categories	0.168	0.092	0.177	0.111	0.171	0.096
Total	5.603	2.538	13.379	7.067	7.700	3.609
Area Adjustment Factor						
All Other Region 4 Counties						
Demand Response	0.854	1.300	0.866	1.074	0.828	1.010
Individual Transportation Participant	1.098	1.629	0.911	0.771	0.883	0.748
Advance Funds	0.854	0.607	0.960	0.716	0.874	0.640
All Other Categories	0.850	0.441	1.087	0.681	0.908	0.493
Total	0.857	0.716	0.877	1.022	0.853	0.806
Selected - Wt. Average	0.940	1.310	0.873	1.054		

Medical Transportation Program
 FY2015 Logisticare Rate Setting
 Adjustment Factor for Moving Collin and Wise Counties from SDA #1 (Dallas/FW Area) to Region 4
 Logisticare CY2013 Experience (1)

Rural County Area Adjustment

	<u>Members</u>	<u>Paid</u>	<u>PMPM</u>	<u>Area Adj.</u>
Children (incl. CSHCN)				
Wise County	52,651	59,614	1.132	
Other Counties	265,162	470,728	1.775	1.064
Total Rural Counties	317,813	530,342	1.669	
Adults				
Wise County	16,506	238,370	14.441	
Other Counties	96,993	1,534,573	15.821	1.013
Total Rural Counties	113,500	1,772,942	15.621	

Urban County Area Adjustment

	<u>Members</u>	<u>Paid</u>	<u>PMPM</u>	<u>Area Adj.</u>
Children (incl. CSHCN)				
Collin County	412,907	205,831	0.498	
Other Counties	7,083,921	3,615,859	0.510	1.001
Total Urban Counties	7,496,828	3,821,690	0.510	
Adults				
Collin County	111,830	543,563	4.861	
Other Counties	1,742,734	13,686,975	7.854	1.024
Total Urban Counties	1,854,563	14,230,538	7.673	

(1) Experience data from Logisticare encounter files