

**STATE OF TEXAS  
MEDICAL TRANSPORTATION PROGRAM  
RATE SETTING  
STATE FISCAL YEAR 2020**

Prepared for:  
Texas Health and Human Services Commission

<b>Contract #</b>	<b>Amend #</b>	<b>Service Area</b>	<b>Contractor</b>
529-11-0004-00002	6	SDA 1	LogistiCare Solutions, LLC
529-11-0004-00001	6	SDA 2	Medical Transportation Management, Inc.
529-18-0076-00001	3	MTO Region 1	LogistiCare Solutions, LLC
529-15-0002-00002	5	MTO Region 2	Project Amistad
529-15-0002-00003	4	MTO Region 3	American Medical Response, Inc.
529-15-0002-00005	4	MTO Region 5	Medical Transportation Management, Inc.
529-15-0002-00006	4	MTO Region 6	American Medical Response, Inc.
529-15-0002-00007	4	MTO Region 7	LogistiCare Solutions, LLC
529-15-0002-00012	4	MTO Region 8	LogistiCare Solutions, LLC
529-15-0002-00009	4	MTO Region 9	Medical Transportation Management, Inc.
529-18-0077-00001	3	MTO Region 10	LogistiCare Solutions, LLC
529-15-0002-00011	4	MTO Region 11	LogistiCare Solutions, LLC

Prepared by:  
Khiem D. Ngo, F.S.A., M.A.A.A  
Rudd and Wisdom, Inc.

July 9, 2019

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## I. Introduction

Rudd and Wisdom, Inc. has developed premium rates for the period September 1, 2019 through August 31, 2020 (FY2020) for the Medical Transportation Program's (MTP) full risk broker (FRB) and medical transportation organization (MTO) contracts. The MTO and FRB vendors provide non-emergency medical transportation to Medicaid, Children with Special Health Care Needs (CSHCN) and Transportation for Indigent Cancer Patient (TICP) members. This report presents the rating methodology and assumptions used in developing the FY2020 premium rates.

The Health and Human Services Commission (HHSC) currently has two managed non-emergency 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 FY2020 premium rates presented in this document include all Texas regions except 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 2014 and a projection of future enrollment through August 2020. These projections were prepared by HHS System Forecasting staff.
- Claim lag reports for each FRB and MTO for the period September 2015 through February 2019. 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 MTOs and FRBs for FY2017, FY2018 and the first six months of FY2019. The FSR contains detailed information regarding monthly enrollment, revenue, incurred claims and administrative expenses, as reported by the vendors.
- Information from the MTOs and FRBs regarding recent reimbursement changes for demand response providers.
- Information from MTP regarding recent changes to Individual Transportation Participant mileage reimbursement.
- Information from MTP staff regarding program 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 MTOs and FRBs and (ii) the claim amounts reported in the FSRs. These data sources are compared to ensure consistent results such that the data are considered interchangeable in aggregate. Although interchangeable in total, each data source has a unique role in the analysis. FSR data provides high level summary information of claims data and administrative costs. In some cases, this

information is available at the risk group level while for others it is only provided at an aggregated level. MTO and FRB summary reports provide HHSC-specified data points at a more granular level such as claim lag data by type of service and month of trip. The use of these multiple data sources allows for a dynamic, flexible rating model that is not constrained to the data limitation of a single source.

All data requested by the actuary was provided by HHSC and the participating MTOs and FRBs. Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

Based on the review of the data by HHSC and the participating MTOs and FRBs, we have concluded that all data sources are consistent, complete and accurate. It is our opinion that the data collected for the rate development is high quality and we have no concerns over the availability or applicability to the FY2020 rate development. The accumulation of data sources noted above have been assigned full credibility.

Given the history of managed care data available for the MTP program, the rate development is based exclusively on managed care data.

## II. Overview of the Rate Setting Methodology

The actuarial model used to derive the FY2020 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, 2018 through December 31, 2018 (CY2018). Estimates of the base period include an estimate of incurred but not reported (IBNR) claims based on claims paid through February 28, 2018 and represents 0.2% of total incurred claims for the base period. These incurred claims estimates were then projected forward to FY2020 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 FY2020 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 FY2020 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 trend factors used in this analysis are a combination of utilization and inflation components. The trend factors were developed using a combination of i) the actual trend experience under the program and ii) the industry trend from the Consumer Price Index published by the Bureau of Labor Statistics for transportation services. The annual trend assumption of 3.0% was used in the rating analysis to project historical experience forward to the rating period.

Attachment 2 presents a summary of the derivation of the annual trend assumption.

#### ***Individual Transportation Participant Reimbursement Change***

Effective January 1, 2019, reimbursement for Individual Transportation Participant (ITP) service increased from \$0.545 per mile to \$0.58 per mile. The base period claims cost for ITP service has been adjusted to reflect this change.

#### ***Demand Response Reimbursement Change Adjustment***

Logisticare reduced reimbursement to their demand response providers in August 2018 for MTO Region 7. The base period demand response claims cost for this region have been adjusted to account for the reimbursement change. Attachment 3 presents a summary of the derivation of this adjustment factor.

#### IV. Administrative Fees, Taxes and Risk Margin

The rating methodology includes an explicit provision intended to provide for all administrative-related services performed by the vendors. The formula used for administrative expenses is \$0.175 per member per month (pmpm) plus 22.0% of gross premium. The administrative fee provision is limited to the minimum of i) the formula above or ii) 115% of the average administrative expense pmpm reported in each of the MTO and FRB's FY2017, FY2018, and FY2019 through February 28, 2019 FSRs.

No provision for premium, maintenance or Health Insurance Provider Fee taxes is included in the rate calculation as non-emergency medical transportation services are exempt from such taxes. The rates do include a risk margin equal to 1.50% of gross premiums.



## V. Summary

The chart below presents the results of the FY2020 FRB and MTO rate setting analysis. Attachment 1 shows the derivation of the premium rates.

FY2020 Premium Rates PMPM

Region Name	Adults		Children		CSHCN
	Urban	Rural	Urban	Rural	
MTO - Region 1	10.40	26.37	1.66	2.36	1.66
MTO - Region 2	9.89	25.59	2.02	2.65	2.02
MTO - Region 3	8.98	17.01	1.71	2.06	1.71
MTO - Region 5	12.89	19.39	1.54	2.39	1.54
MTO - Region 6	17.23	17.23	3.38	3.38	3.38
MTO - Region 7	13.09	29.65	0.93	1.82	0.93
MTO - Region 8	9.57	19.55	0.74	1.71	0.74
MTO - Region 9	19.20	19.20	2.10	2.10	2.10
MTO - Region 10	7.70	23.66	2.11	2.59	2.11
MTO - Region 11	11.02	23.01	1.18	1.95	1.18
SDA - 1	12.68	17.46	0.68	2.01	0.68
SDA - 2	8.69	22.90	0.60	1.98	0.60

Attachment 4 presents the required rating index summarizing the applicable sections from the 2019-2020 Medicaid Managed Care Rate Development Guide.

VI. Actuarial Certification of FY2020 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.

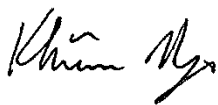
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to develop the capitation rates applicable to the Texas Medical Transportation Program's Full Risk Broker (FRB) and Medical Transportation Organization (MTO) contracts for the state fiscal year 2020 (FY2020) and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.4.

I certify that the FY2020 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 principles 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 health plan contractor 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 438.3(c), 438.3(e), 438.4, 438.5, 438.6 and 438.7. 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 – Summary of FY2020 MTP and FRB Rating Analysis

Attachment 2 – Trend Analysis

Attachment 3 – Demand Response Reimbursement Change Adjustment

Attachment 4 – Index for 2019-2020 Medicaid Managed Care Rate Development Guide

## *Attachment 1*

### Summary of FY2020 MTP and FRB Rating 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 FY2020 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 FY2020 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 FY2020 using assumed trend rates and other adjustment factors. These adjustment factors are described in more detail in Section III.

The formula used for administrative expenses is \$0.175 per member per month (pmpm) plus 22.0% of gross premium. The administrative fee provision is limited to the minimum of i) the formula above or ii) 115% of the average administrative expense PMPM reported in each of the MTO and FRB's FY2017, FY2018, and 2<sup>nd</sup> quarter FY2019 FSRs. We also added a risk margin equal to 1.50% of gross premiums to protect against adverse claim experience.

At the bottom of the exhibit is a summary of the projected FY2020 cost based on these assumptions.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months	205,879		115,158		700,524		435,340		1,456,901	
Estimated CY2018 Incurred Claims										
Demand Response	1,520,111	7.38	1,923,726	16.71	183,604	0.26	232,412	0.53	3,859,853	2.65
Mileage Reimbursement	54,205	0.26	328,386	2.85	214,036	0.31	268,052	0.62	864,680	0.59
All Others	22,954	0.11	25,211	0.22	376,762	0.54	204,637	0.47	629,563	0.43
Total	1,597,270	7.76	2,277,323	19.78	774,402	1.11	705,101	1.62	5,354,096	3.67
Claims Not Included in Lag Data	4,064	0.02	2,786	0.02	1,004	0.00	888	0.00	8,742	0.01
Projected FY2020 Member Months	199,945		109,167		703,485		433,709		1,446,305	
Projected FY2020 Premium Current Rates	2,307,360	11.54	1,974,825	18.09	1,125,575	1.60	633,215	1.46	6,040,976	4.18
Annual Trend Assumption		3.0%		3.0%		3.0%		3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change		1.0642		1.0642		1.0642		1.0642		
Demand Response Reimbursement Change		1.0000		1.0000		1.0000		1.0000		
Projected FY2020 Incurred Claims	1,636,730	8.19	2,290,895	20.99	832,236	1.18	756,631	1.74	5,516,493	3.81
Administrative Expense - Formula										
Fixed Amount PMPM	34,990	0.175	19,104	0.175	123,110	0.175	75,899	0.175	253,103	
Percent of Premium	480,756	22.0%	664,314	22.0%	274,740	22.0%	239,421	22.0%	1,659,230	
Total	515,747	2.58	683,418	6.26	397,850	0.57	315,320	0.73	1,912,334	1.32
Administrative Expense - 115% FSR Admin	410,843	2.05	544,409	4.99	316,927	0.45	251,183	0.58	1,523,362	1.05
Administrative Expense - Selected (1)	410,843	2.05	544,409	4.99	316,927	0.45	251,183	0.58	1,523,362	1.05
Risk Margin	31,181	1.50%	43,177	1.50%	17,500	1.50%	15,347	1.50%	107,206	1.50%
Projected FY2020 Total Cost	2,078,754	10.40	2,878,482	26.37	1,166,663	1.66	1,023,162	2.36	7,147,061	4.94
Percentage Rate Change		-9.9%		45.8%		3.7%		61.6%		18.3%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months	563,751		76,525		1,855,239		224,698		2,720,214	
Estimated CY2018 Incurred Claims										
Demand Response	3,617,374	6.42	1,186,662	15.51	410,949	0.22	91,138	0.41	5,306,122	1.95
Mileage Reimbursement	155,590	0.28	203,273	2.66	413,159	0.22	184,966	0.82	956,988	0.35
All Others	184,450	0.33	10,810	0.14	1,574,100	0.85	108,898	0.48	1,878,258	0.69
Total	3,957,413	7.02	1,400,745	18.30	2,398,207	1.29	385,002	1.71	8,141,367	2.99
Claims Not Included in Lag Data	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Projected FY2020 Member Months	527,914		73,938		1,852,761		222,972		2,677,585	
Projected FY2020 Premium Current Rates	4,978,229	9.43	1,765,630	23.88	3,390,553	1.83	501,686	2.25	10,636,098	3.97
Annual Trend Assumption		3.0%		3.0%		3.0%		3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change		1.0642		1.0642		1.0642		1.0642		
Demand Response Reimbursement Change		1.0000		1.0000		1.0000		1.0000		
Projected FY2020 Incurred Claims	3,901,550	7.39	1,434,508	19.40	2,542,960	1.37	413,585	1.85	8,292,603	3.10
Administrative Expense - Formula										
Fixed Amount PMPM	92,385	0.175	12,939	0.175	324,233	0.175	39,020	0.175	468,577	
Percent of Premium	1,148,583	22.0%	416,259	22.0%	824,552	22.0%	130,161	22.0%	2,519,555	
Total	1,240,968	2.35	429,198	5.80	1,148,786	0.62	169,181	0.76	2,988,132	1.12
Administrative Expense - 115% FSR Admin	1,335,110	2.53	461,758	6.25	1,235,935	0.67	182,016	0.82	3,214,820	1.20
Administrative Expense - Selected (1)	1,240,968	2.35	429,198	5.80	1,148,786	0.62	169,181	0.76	2,988,132	1.12
Risk Margin	78,312	1.50%	28,381	1.50%	56,219	1.50%	8,875	1.50%	171,788	1.50%
Projected FY2020 Total Cost	5,220,830	9.89	1,892,087	25.59	3,747,966	2.02	591,641	2.65	11,452,524	4.28
Percentage Rate Change		4.9%		7.2%		10.5%		17.9%		7.7%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months	114,767		114,005		308,473		279,210		816,455	
Estimated CY2018 Incurred Claims										
Demand Response	628,083	5.47	1,174,731	10.30	127,902	0.41	110,533	0.40	2,041,249	2.50
Mileage Reimbursement	68,794	0.60	181,618	1.59	100,701	0.33	149,502	0.54	500,614	0.61
All Others	29,983	0.26	25,923	0.23	97,969	0.32	101,946	0.37	255,822	0.31
Total	726,860	6.33	1,382,272	12.12	326,573	1.06	361,981	1.30	2,797,686	3.43
Claims Not Included in Lag Data	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Projected FY2020 Member Months	110,932		110,505		311,236		278,355		811,029	
Projected FY2020 Premium Current Rates	1,078,260	9.72	2,012,299	18.21	516,652	1.66	573,411	2.06	4,180,623	5.15
Annual Trend Assumption		3.0%		3.0%		3.0%		3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change		1.0642		1.0642		1.0642		1.0642		
Demand Response Reimbursement Change		1.0000		1.0000		1.0000		1.0000		
Projected FY2020 Incurred Claims	742,293	6.69	1,418,916	12.84	352,878	1.13	389,025	1.40	2,903,113	3.58
Administrative Expense - Formula										
Fixed Amount PMPM	19,413	0.175	19,338	0.175	54,466	0.175	48,712	0.175	141,930	
Percent of Premium	219,053	22.0%	413,616	22.0%	117,145	22.0%	125,885	22.0%	875,699	
Total	238,466	2.15	432,954	3.92	171,611	0.55	174,597	0.63	1,017,629	1.25
Administrative Expense - 115% FSR Admin	307,248	2.77	557,833	5.05	221,110	0.71	224,957	0.81	1,311,147	1.62
Administrative Expense - Selected (1)	238,466	2.15	432,954	3.92	171,611	0.55	174,597	0.63	1,017,629	1.25
Risk Margin	14,935	1.50%	28,201	1.50%	7,987	1.50%	8,583	1.50%	59,707	1.50%
Projected FY2020 Total Cost Percentage Rate Change	995,695	8.98	1,880,072	17.01	532,476	1.71	572,205	2.06	3,980,448	4.91
		-7.7%		-6.6%		3.1%		-0.2%		-4.8%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months	154,260		542,665		482,635		1,447,144		2,626,704	
Estimated CY2018 Incurred Claims										
Demand Response	1,317,631	8.54	6,673,130	12.30	227,679	0.47	1,026,538	0.71	9,244,978	3.52
Mileage Reimbursement	83,414	0.54	798,590	1.47	122,814	0.25	868,662	0.60	1,873,480	0.71
All Others	41,734	0.27	183,585	0.34	116,539	0.24	380,517	0.26	722,375	0.28
Total	1,442,779	9.35	7,655,305	14.11	467,033	0.97	2,275,717	1.57	11,840,833	4.51
Claims Not Included in Lag Data	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Projected FY2020 Member Months	150,574		524,214		482,861		1,451,428		2,609,078	
Projected FY2020 Premium Current Rates	1,757,204	11.67	10,368,959	19.78	685,663	1.42	2,946,398	2.03	15,758,224	6.04
Annual Trend Assumption		3.0%		3.0%		3.0%		3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change		1.0642		1.0642		1.0642		1.0642		
Demand Response Reimbursement Change		1.0000		1.0000		1.0000		1.0000		
Projected FY2020 Incurred Claims	1,484,435	9.86	7,817,976	14.91	498,975	1.03	2,455,694	1.69	12,257,080	4.70
Administrative Expense - Formula										
Fixed Amount PMPM	26,351	0.175	91,738	0.175	84,501	0.175	254,000	0.175	456,589	
Percent of Premium	434,474	22.0%	2,274,689	22.0%	167,797	22.0%	779,258	22.0%	3,656,218	
Total	460,825	3.06	2,366,426	4.51	252,298	0.52	1,033,258	0.71	4,112,807	1.58
Administrative Expense - 115% FSR Admin	427,543	2.84	2,195,518	4.19	234,076	0.48	958,634	0.66	3,815,772	1.46
Administrative Expense - Selected (1)	427,543	2.84	2,195,518	4.19	234,076	0.48	958,634	0.66	3,815,772	1.46
Risk Margin	29,116	1.50%	152,490	1.50%	11,163	1.50%	51,995	1.50%	244,764	1.50%
Projected FY2020 Total Cost Percentage Rate Change	1,941,095	12.89	10,165,983	19.39	744,214	1.54	3,466,323	2.39	16,317,615	6.25
		10.5%		-2.0%		8.5%		17.6%		3.5%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.



	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months			130,674				356,963		487,637	
Estimated CY2018 Incurred Claims										
Demand Response			779,491	5.97			94,274	0.26	873,765	1.79
Mileage Reimbursement			502,740	3.85			379,692	1.06	882,433	1.81
All Others			74,656	0.57			269,158	0.75	343,814	0.71
Total			1,356,887	10.38			743,124	2.08	2,100,012	4.31
Claims Not Included in Lag Data			228,904	1.75			52,523	0.15	281,427	0.58
Projected FY2020 Member Months			124,855				355,427		480,282	
Projected FY2020 Premium Current Rates			2,057,615	16.48			1,059,172	2.98	3,116,787	6.49
Annual Trend Assumption				3.0%				3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change				1.0642				1.0642		
Demand Response Reimbursement Change				1.0000				1.0000		
Projected FY2020 Incurred Claims			1,623,575	13.00			857,457	2.41	2,481,032	5.17
Administrative Expense - Formula										
Fixed Amount PMPM			21,850	0.175			62,200	0.175	84,049	
Percent of Premium			473,194	22.0%			264,477	22.0%	737,670	
Total			495,044	3.96			326,676	0.92	821,720	1.71
Administrative Expense - 115% FSR Admin			579,738	4.64			382,565	1.08	962,303	2.00
Administrative Expense - Selected (1)			495,044	3.96			326,676	0.92	821,720	1.71
Risk Margin			32,263	1.50%			18,032	1.50%	50,296	1.50%
Projected FY2020 Total Cost Percentage Rate Change	17.23		2,150,882	17.23	3.38		1,202,166	3.38	3,353,048	6.98
				4.5%				13.5%		7.6%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months	613,700		207,454		2,292,029		656,393		3,769,576	
Estimated CY2018 Incurred Claims										
Demand Response	6,386,443	10.41	4,860,435	23.43	817,934	0.36	372,960	0.57	12,437,772	3.30
Mileage Reimbursement	131,464	0.21	237,600	1.15	160,538	0.07	176,177	0.27	705,780	0.19
All Others	149,401	0.24	32,298	0.16	415,931	0.18	295,996	0.45	893,627	0.24
Total	6,667,309	10.86	5,130,334	24.73	1,394,403	0.61	845,132	1.29	14,037,179	3.72
Claims Not Included in Lag Data	26,636	0.04	9,810	0.05	5,035	0.00	2,319	0.00	43,801	0.01
Projected FY2020 Member Months	594,993		198,936		2,303,393		662,852		3,760,175	
Projected FY2020 Premium Current Rates	8,526,247	14.33	6,359,992	31.97	2,303,393	1.00	1,140,106	1.72	18,329,739	4.87
Annual Trend Assumption		3.0%		3.0%		3.0%		3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change		1.0642		1.0642		1.0642		1.0642		
Demand Response Reimbursement Change		0.9007		0.9030		0.8853		0.9083		
Projected FY2020 Incurred Claims	6,178,336	10.38	4,716,913	23.71	1,388,788	0.60	874,446	1.32	13,158,483	3.50
Administrative Expense - Formula										
Fixed Amount PMPM	104,124	0.175	34,814	0.175	403,094	0.175	115,999	0.175	658,031	
Percent of Premium	1,806,721	22.0%	1,366,510	22.0%	515,312	22.0%	284,834	22.0%	3,973,376	
Total	1,910,844	3.21	1,401,324	7.04	918,406	0.40	400,833	0.60	4,631,407	1.23
Administrative Expense - 115% FSR Admin	1,491,776	2.51	1,093,999	5.50	716,990	0.31	312,926	0.47	3,615,692	0.96
Administrative Expense - Selected (1)	1,491,776	2.51	1,093,999	5.50	716,990	0.31	312,926	0.47	3,615,692	0.96
Risk Margin	116,804	1.50%	88,491	1.50%	32,068	1.50%	18,082	1.50%	255,444	1.50%
Projected FY2020 Total Cost	7,786,917	13.09	5,899,403	29.65	2,137,846	0.93	1,205,454	1.82	17,029,619	4.53
Percentage Rate Change		-8.7%		-7.2%		-7.2%		5.7%		-7.1%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months	930,908		119,724		2,990,261		341,309		4,382,202	
Estimated CY2018 Incurred Claims										
Demand Response	6,073,953	6.52	1,484,678	12.40	571,512	0.19	155,955	0.46	8,286,099	1.89
Mileage Reimbursement	102,823	0.11	155,808	1.30	150,474	0.05	93,047	0.27	502,152	0.11
All Others	122,104	0.13	31,725	0.26	371,063	0.12	112,103	0.33	636,996	0.15
Total	6,298,881	6.77	1,672,211	13.97	1,093,049	0.37	361,105	1.06	9,425,246	2.15
Claims Not Included in Lag Data	26,753	0.03	3,111	0.03	3,403	0.00	734	0.00	34,000	0.01
Projected FY2020 Member Months	904,648		115,752		3,015,356		342,291		4,378,048	
Projected FY2020 Premium Current Rates	7,834,253	8.66	2,516,452	21.74	2,231,363	0.74	708,543	2.07	13,290,612	3.04
Annual Trend Assumption		3.0%		3.0%		3.0%		3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change		1.0642		1.0642		1.0642		1.0642		
Demand Response Reimbursement Change		1.0000		1.0000		1.0000		1.0000		
Projected FY2020 Incurred Claims	6,462,266	7.14	1,711,148	14.78	1,171,345	0.39	387,375	1.13	9,732,135	2.22
Administrative Expense - Formula										
Fixed Amount PMPM	158,313	0.175	20,257	0.175	527,687	0.175	59,901	0.175	766,158	
Percent of Premium	1,903,958	22.0%	497,920	22.0%	488,611	22.0%	128,629	22.0%	3,019,117	
Total	2,062,271	2.28	518,177	4.48	1,016,298	0.34	188,529	0.55	3,785,275	0.86
Administrative Expense - 115% FSR Admin	2,245,756	2.48	564,280	4.87	1,106,720	0.37	205,303	0.60	4,122,060	0.94
Administrative Expense - Selected (1)	2,062,271	2.28	518,177	4.48	1,016,298	0.34	188,529	0.55	3,785,275	0.86
Risk Margin	129,815	1.50%	33,949	1.50%	33,314	1.50%	8,770	1.50%	205,849	1.50%
Projected FY2020 Total Cost	8,654,353	9.57	2,263,274	19.55	2,220,957	0.74	584,675	1.71	13,723,259	3.13
Percentage Rate Change		10.5%		-10.1%		-0.5%		-17.5%		3.3%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months			98,908				303,637		402,545	
Estimated CY2018 Incurred Claims										
Demand Response			1,190,632	12.04			194,334	0.64	1,384,967	3.44
Mileage Reimbursement			122,238	1.24			101,619	0.33	223,856	0.56
All Others			47,693	0.48			111,167	0.37	158,860	0.39
Total			1,360,563	13.76			407,121	1.34	1,767,683	4.39
Claims Not Included in Lag Data			0	0.00			0	0.00	0	0.00
Projected FY2020 Member Months			96,684				307,874		404,558	
Projected FY2020 Premium Current Rates			1,747,077	18.07			544,937	1.77	2,292,014	5.67
Annual Trend Assumption				3.0%				3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change				1.0642				1.0642		
Demand Response Reimbursement Change				1.0000				1.0000		
Projected FY2020 Incurred Claims			1,404,734	14.53			440,455	1.43	1,845,189	4.56
Administrative Expense - Formula										
Fixed Amount PMPM			16,920	0.175			53,878	0.175	70,798	
Percent of Premium			408,842	22.0%			142,161	22.0%	551,003	
Total			425,761	4.40			196,039	0.64	621,800	1.54
Administrative Expense - 115% FSR Admin			423,504	4.38			195,000	0.63	618,504	1.53
Administrative Expense - Selected (1)			423,504	4.38			195,000	0.63	618,504	1.53
Risk Margin			27,841	1.50%			9,677	1.50%	37,518	1.50%
Projected FY2020 Total Cost Percentage Rate Change	19.20		1,856,079	19.20	2.10		645,132	2.10	2,501,211	6.18
				6.2%				18.4%		9.1%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months	1,216,336		241,171		4,484,351		660,441		6,602,299	
Estimated CY2018 Incurred Claims										
Demand Response	6,021,276	4.95	3,420,676	14.18	2,666,666	0.59	493,582	0.75	12,602,200	1.91
Mileage Reimbursement	588,150	0.48	716,900	2.97	991,874	0.22	399,658	0.61	2,696,582	0.41
All Others	104,232	0.09	27,448	0.11	2,675,534	0.60	254,797	0.39	3,062,011	0.46
Total	6,713,659	5.52	4,165,023	17.27	6,334,074	1.41	1,148,037	1.74	18,360,793	2.78
Claims Not Included in Lag Data	100,775	0.08	39,068	0.16	57,587	0.01	10,979	0.02	208,409	0.03
Projected FY2020 Member Months	1,163,186		226,346		4,487,300		659,785		6,536,617	
Projected FY2020 Premium Current Rates	7,956,191	6.84	4,178,343	18.46	7,269,426	1.62	1,240,396	1.88	20,644,356	3.16
Annual Trend Assumption		3.0%		3.0%		3.0%		3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change		1.0642		1.0642		1.0642		1.0642		
Demand Response Reimbursement Change		1.0000		1.0000		1.0000		1.0000		
Projected FY2020 Incurred Claims	6,881,463	5.92	4,188,945	18.51	6,783,608	1.51	1,242,868	1.88	19,096,884	2.92
Administrative Expense - Formula										
Fixed Amount PMPM	203,558	0.175	39,611	0.175	785,277	0.175	115,462	0.175	1,143,908	
Percent of Premium	2,037,522	22.0%	1,216,055	22.0%	2,176,673	22.0%	390,631	22.0%	5,820,881	
Total	2,241,080	1.93	1,255,666	5.55	2,961,950	0.66	506,093	0.77	6,964,789	1.07
Administrative Expense - 115% FSR Admin	1,940,165	1.67	1,087,065	4.80	2,564,243	0.57	438,139	0.66	6,029,612	0.92
Administrative Expense - Selected (1)	1,940,165	1.67	1,087,065	4.80	2,564,243	0.57	438,139	0.66	6,029,612	0.92
Risk Margin	134,340	1.50%	80,345	1.50%	142,353	1.50%	25,599	1.50%	382,637	1.50%
Projected FY2020 Total Cost Percentage Rate Change	8,955,968	7.70	5,356,355	23.66	9,490,203	2.11	1,706,606	2.59	25,509,133	3.90
		12.6%		28.2%		30.5%		37.6%		23.6%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months	113,286		57,250		352,456		151,021		674,013	
Estimated CY2018 Incurred Claims										
Demand Response	861,177	7.60	877,960	15.34	100,800	0.29	97,389	0.64	1,937,326	2.87
Mileage Reimbursement	30,417	0.27	84,621	1.48	44,363	0.13	73,110	0.48	232,511	0.34
All Others	13,631	0.12	856	0.01	106,861	0.30	20,304	0.13	141,652	0.21
Total	905,224	7.99	963,437	16.83	252,024	0.72	190,802	1.26	2,311,488	3.43
Claims Not Included in Lag Data	3,541	0.03	1,965	0.03	775	0.00	509	0.00	6,790	0.01
Projected FY2020 Member Months	111,015		55,362		354,179		151,698		672,254	
Projected FY2020 Premium Current Rates	1,369,922	12.34	1,194,709	21.58	474,601	1.34	330,702	2.18	3,369,933	5.01
Annual Trend Assumption		3.0%		3.0%		3.0%		3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change		1.0642		1.0642		1.0642		1.0642		
Demand Response Reimbursement Change		1.0000		1.0000		1.0000		1.0000		
Projected FY2020 Incurred Claims	937,225	8.44	985,902	17.81	269,784	0.76	206,761	1.36	2,399,671	3.57
Administrative Expense - Formula										
Fixed Amount PMPM	19,428	0.175	9,688	0.175	61,981	0.175	26,547	0.175	117,644	
Percent of Premium	275,116	22.0%	286,314	22.0%	95,410	22.0%	67,095	22.0%	723,934	
Total	294,543	2.65	296,002	5.35	157,391	0.44	93,642	0.62	841,578	1.25
Administrative Expense - 115% FSR Admin	267,351	2.41	268,675	4.85	142,860	0.40	84,997	0.56	763,883	1.14
Administrative Expense - Selected (1)	267,351	2.41	268,675	4.85	142,860	0.40	84,997	0.56	763,883	1.14
Risk Margin	18,344	1.50%	19,105	1.50%	6,284	1.50%	4,443	1.50%	48,176	1.50%
Projected FY2020 Total Cost	1,222,919	11.02	1,273,682	23.01	418,928	1.18	296,201	1.95	3,211,731	4.78
Percentage Rate Change		-10.7%		6.6%		-11.7%		-10.4%		-4.7%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months	1,843,565		96,747		7,591,298		292,551		9,824,161	
Estimated CY2018 Incurred Claims										
Demand Response	15,635,374	8.48	1,086,413	11.23	1,818,825	0.24	157,541	0.54	18,698,153	1.90
Mileage Reimbursement	425,498	0.23	121,478	1.26	354,467	0.05	143,523	0.49	1,044,965	0.11
All Others	974,413	0.53	27,267	0.28	497,646	0.07	82,703	0.28	1,582,029	0.16
Total	17,035,284	9.24	1,235,158	12.77	2,670,939	0.35	383,767	1.31	21,325,148	2.17
Claims Not Included in Lag Data	106,352	0.06	3,579	0.04	15,677	0.00	1,307	0.00	126,915	0.01
Projected FY2020 Member Months	1,771,861		93,214		7,612,714		296,466		9,774,255	
Projected FY2020 Premium Current Rates	22,981,034	12.97	1,800,897	19.32	5,176,646	0.68	530,674	1.79	30,489,251	3.12
Annual Trend Assumption		3.0%		3.0%		3.0%		3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change		1.0642		1.0642		1.0642		1.0642		
Demand Response Reimbursement Change		1.0000		1.0000		1.0000		1.0000		
Projected FY2020 Incurred Claims	17,328,862	9.78	1,261,263	13.53	2,853,305	0.37	419,609	1.42	21,863,039	2.24
Administrative Expense - Formula										
Fixed Amount PMPM	310,076	0.175	16,312	0.175	1,332,225	0.175	51,882	0.175	1,710,495	
Percent of Premium	5,072,636	22.0%	367,407	22.0%	1,203,682	22.0%	135,592	22.0%	6,779,317	
Total	5,382,711	3.04	383,720	4.12	2,535,907	0.33	187,474	0.63	8,489,812	0.87
Administrative Expense - 115% FSR Admin	4,793,420	2.71	341,711	3.67	2,258,280	0.30	166,949	0.56	7,560,360	0.77
Administrative Expense - Selected (1)	4,793,420	2.71	341,711	3.67	2,258,280	0.30	166,949	0.56	7,560,360	0.77
Risk Margin	336,888	1.50%	24,411	1.50%	77,841	1.50%	8,932	1.50%	448,072	1.50%
Projected FY2020 Total Cost	22,459,170	12.68	1,627,385	17.46	5,189,426	0.68	595,490	2.01	29,871,472	3.06
Percentage Rate Change		-2.3%		-9.6%		0.2%		12.2%		-2.0%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.

	Adult Urban		Adults Rural		Children Urban (incl. CSHCN)		Children Rural		Total	
	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm	Amount	pmpm
CY2018 Experience Period Member Months	2,253,174		235,994		9,245,456		730,749		12,465,374	
Estimated CY2018 Incurred Claims										
Demand Response	13,194,915	5.86	3,248,965	13.77	1,620,860	0.18	384,496	0.53	18,449,236	1.48
Mileage Reimbursement	583,030	0.26	549,120	2.33	552,253	0.06	377,509	0.52	2,061,912	0.17
All Others	77,140	0.03	64,662	0.27	277,736	0.03	147,328	0.20	566,866	0.05
Total	13,855,085	6.15	3,862,747	16.37	2,450,848	0.27	909,333	1.24	21,078,014	1.69
Claims Not Included in Lag Data	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Projected FY2020 Member Months	2,172,922		226,897		9,341,405		743,610		12,484,834	
Projected FY2020 Premium Current Rates	16,774,958	7.72	4,821,553	21.25	5,231,187	0.56	1,279,010	1.72	28,106,707	2.25
Annual Trend Assumption		3.0%		3.0%		3.0%		3.0%		
Rating Adjustment Factors										
Mileage Reimbursement Change		1.0642		1.0642		1.0642		1.0642		
Demand Response Reimbursement Change		1.0000		1.0000		1.0000		1.0000		
Projected FY2020 Incurred Claims	14,069,720	6.48	3,935,720	17.35	2,638,121	0.28	997,659	1.34	21,641,219	1.73
Administrative Expense - Formula										
Fixed Amount PMPM	380,261	0.175	39,707	0.175	1,634,746	0.175	130,132	0.175	2,184,846	
Percent of Premium	4,155,550	22.0%	1,143,260	22.0%	1,228,798	22.0%	324,332	22.0%	6,851,940	
Total	4,535,811	2.09	1,182,967	5.21	2,863,544	0.31	454,464	0.61	9,036,786	0.72
Administrative Expense - 115% FSR Admin	4,867,577	2.24	1,269,493	5.60	3,072,994	0.33	487,705	0.66	9,697,769	0.78
Administrative Expense - Selected (1)	4,535,811	2.09	1,182,967	5.21	2,863,544	0.31	454,464	0.61	9,036,786	0.72
Risk Margin	283,333	1.50%	77,950	1.50%	83,782	1.50%	22,114	1.50%	467,178	1.50%
Projected FY2020 Total Cost Percentage Rate Change	18,888,864	8.69	5,196,637	22.90	5,585,447	0.60	1,474,236	1.98	31,145,183	2.49
		12.6%		7.8%		6.8%		15.3%		10.8%

Notes:

(1) Administrative expense included in the rate is the lesser of a) the admin formula or b) 115% of the average admin reported in the FY17-FY19 FSRs.



## *Attachment 2*

### Trend Analysis

The rating methodology uses assumed trend factors to adjust the base period claims cost to the projection period. The trend factors used in this analysis are a combination of utilization and inflation components. The trend factors were developed using a combination of i) the actual trend experience under the program and ii) the industry trend from the Consumer Price Index published by the Bureau of Labor Statistics for transportation services.

The experience trend analysis included a review of transportation organization claims experience data through February 2019. Based on this information, estimates of monthly incurred claims were made through December 2018. The claims cost and trend experience were reviewed separately by region and risk group. The region trends were then combined into a statewide average using a weighted average formula with estimated incurred claims as the weights. All historical trends have been calculated as the average cost per member per month during a specified time period (monthly, quarterly or annually) compared to the same time period from the prior year. For example, the CY2018 trend has been calculated as the change in average cost per member per month during the period January 1, 2018 through December 31, 2018 (CY2018) compared to the average cost per member per month during the period January 1, 2017 through December 31, 2017 (CY2017). The experience trends for all time periods were adjusted to remove the impact of the various provider reimbursement changes and other revisions that have impacted the cost of the program. The trend analysis only includes demand response service and excludes experience for MTO Regions 1 and 10 resulting from changes in transportation provider effective September 1, 2017. The selected experience trend was determined using a straight average of the CY2016, CY2017 and CY2018 statewide trend. This analysis was used to select an experience annual trend rate assumption of 3.5%. Attachment 2 Exhibit C presents a summary of the derivation of the annual trend assumption.

The industry annual trend assumption was selected by the actuary based on a study of the transportation Consumer Price Index (CPI) and the actuary's judgment regarding future cost increases. The inflation trend assumption of 1.0% was selected by taking the average of the monthly year-over-year CPI trend published by the Bureau of Labor Statistics from January 2009 through December 2018. The utilization trend assumption of 1.5% was selected based on the actuary's judgment regarding future utilization increases. This analysis was used to select an industry annual trend rate assumption of 2.5%. Attachment 2 Exhibit B presents a summary of the derivation of the annual trend assumption.

The selected annual trend assumption was determined using a straight average of the experience annual trend assumption and the industry annual trend assumption. This analysis was used to select an annual trend rate assumption of 3.0%. Attachment 2 Exhibit A presents a summary of the derivation of the annual trend assumption.

MTP FY2020 Rating  
Trend Analysis

	Annual Trend Assumption
Experience	3.5%
Industry (CPI)	2.5%
Selected	<b>3.0%</b>

## Notes:

Experience trend developed based on average of CY16-CY18 demand response trends. See Attachment 2 Exhibit C  
Industry trend developed using i) inflation trend based on CPI transportation trend for past 10 years  
and ii) utilization trend of 1.5% selected by actuary. See worksheet Attachment 2 - Exhibit B  
Selected trend equals 50% weight for Experience trend and 50% weight for Industry trend.

**Bureau of Labor Statistics**  
**CPI-All Urban Consumers (Current Series)**  
**Original Data Value**

**Series Id:** CUSR0000SAT  
**Seasonally Adjusted**  
**Series Title:** Transportation in U.S. city average, all urban  
**Area:** U.S. city average  
**Item:** Transportation  
**Base Period:** 1982-84=100  
**Years:** 2008 to 2018

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	194.135	194.934	195.872	195.179	198.535	206.313	209.349	205.848	205.856	195.608	175.507	166.673
2009	168.403	171.424	169.449	170.090	172.235	180.667	180.915	183.729	185.329	187.793	191.243	191.517
2010	193.116	191.978	191.375	191.249	190.231	189.426	191.082	192.287	193.316	196.845	198.783	202.454
2011	204.232	205.704	209.591	213.032	214.499	212.957	213.661	214.651	215.455	214.682	215.149	213.784
2012	215.385	217.686	218.457	218.615	215.029	212.225	211.791	217.573	221.574	222.913	218.833	217.524
2013	218.092	223.274	218.985	214.905	214.010	215.380	216.562	217.901	216.898	216.682	217.170	218.715
2014	219.287	218.525	217.491	218.989	218.306	218.653	218.126	217.071	215.410	213.730	210.033	204.124
2015	194.680	196.478	199.306	198.214	202.122	203.988	204.311	202.646	197.228	196.675	196.636	195.030
2016	193.424	189.186	191.405	193.711	194.967	196.942	195.013	194.650	195.216	196.943	197.333	199.814
2017	202.697	201.153	200.524	200.466	198.575	198.246	197.651	200.159	204.385	203.006	205.820	206.866
2018	208.926	209.493	208.353	208.535	210.062	211.393	212.159	212.702	211.733	213.907	211.83	208.615

Annual Inflation Trend

2009	-13.3%	-12.1%	-13.5%	-12.9%	-13.2%	-12.4%	-13.6%	-10.7%	-10.0%	-4.0%	9.0%	14.9%
2010	14.7%	12.0%	12.9%	12.4%	10.4%	4.8%	5.6%	4.7%	4.3%	4.8%	3.9%	5.7%
2011	5.8%	7.1%	9.5%	11.4%	12.8%	12.4%	11.8%	11.6%	11.5%	9.1%	8.2%	5.6%
2012	5.5%	5.8%	4.2%	2.6%	0.2%	-0.3%	-0.9%	1.4%	2.8%	3.8%	1.7%	1.7%
2013	1.3%	2.6%	0.2%	-1.7%	-0.5%	1.5%	2.3%	0.2%	-2.1%	-2.8%	-0.8%	0.5%
2014	0.5%	-2.1%	-0.7%	1.9%	2.0%	1.5%	0.7%	-0.4%	-0.7%	-1.4%	-3.3%	-6.7%
2015	-11.2%	-10.1%	-8.4%	-9.5%	-7.4%	-6.7%	-6.3%	-6.6%	-8.4%	-8.0%	-6.4%	-4.5%
2016	-0.6%	-3.7%	-4.0%	-2.3%	-3.5%	-3.5%	-4.6%	-3.9%	-1.0%	0.1%	0.4%	2.5%
2017	4.8%	6.3%	4.8%	3.5%	1.9%	0.7%	1.4%	2.8%	4.7%	3.1%	4.3%	3.5%
2018	3.1%	4.1%	3.9%	4.0%	5.8%	6.6%	7.3%	6.3%	3.6%	5.4%	2.9%	0.8%

Average Inflation Trend (1)	1.0%
Selected Utilization Trend (2)	1.5%
<b>Total Annual Trend Assumption</b>	<b>2.5%</b>

Notes:

- (1) Average CPI monthly year-over-year trend for the past 10 years - January 2009 through December 2018
- (2) Selected by the Actuary

MTP FY2020 Rating  
Trend Analysis (1)  
Demand Response Service  
All Risk Groups

	MTO 2	MTO 3	MTO 5	MTO 6	MTO 7	MTO 8	MTO 9	MTO 11	FRB 1	FRB 2	Total
Member Months											
CY2015	2,797,810	823,417	2,624,361	501,144	3,793,821	4,456,570	395,253	671,991	10,352,914	12,355,962	38,773,243
CY2016	2,833,440	838,759	2,654,574	510,954	3,794,088	4,445,510	405,326	672,681	10,227,409	12,582,847	38,965,588
CY2017	2,793,997	836,212	2,668,133	502,420	3,785,224	4,415,931	412,206	676,874	10,059,563	12,682,572	38,833,132
CY2018	2,720,214	816,455	2,626,704	487,685	3,769,576	4,382,202	402,570	674,013	9,824,161	12,465,374	38,168,954
Estimated Incurred Claims - Adjusted for Reimbursement/Policy Change											
CY2015	5,515,034	2,605,496	7,847,428	1,633,492	13,162,248	7,539,283	1,163,445	2,249,552	19,779,148	14,999,485	76,494,610
CY2016	5,234,111	2,403,683	9,267,658	1,054,964	14,325,927	8,034,364	1,285,024	2,478,396	19,596,440	16,659,281	80,339,847
CY2017	5,148,584	2,210,933	9,336,609	1,098,343	15,024,132	8,380,947	1,349,866	2,612,482	20,129,068	16,922,785	82,213,748
CY2018	5,306,122	2,041,249	9,244,978	1,071,325	15,679,926	8,752,896	1,384,967	2,734,858	18,698,153	18,449,236	83,363,710
Incurred Claims PMPM											
CY2015	1.971	3.164	2.990	3.260	3.469	1.692	2.944	3.348	1.910	1.214	1.973
CY2016	1.847	2.866	3.491	2.065	3.776	1.807	3.170	3.684	1.916	1.324	2.062
CY2017	1.843	2.644	3.499	2.186	3.969	1.898	3.275	3.860	2.001	1.334	2.117
CY2018	1.951	2.500	3.520	2.197	4.160	1.997	3.440	4.058	1.903	1.480	2.184
Trends											
CY2015											
CY2016	-6.3%	-9.4%	16.8%	-36.7%	8.8%	6.8%	7.7%	10.1%	0.3%	9.1%	4.5%
CY2017	-0.2%	-7.7%	0.2%	5.9%	5.1%	5.0%	3.3%	4.8%	4.4%	0.8%	2.7%
CY2018	5.9%	-5.4%	0.6%	0.5%	4.8%	5.2%	5.1%	5.1%	-4.9%	10.9%	3.2%

Average **3.5%**

## (1) Notes:

Trend analysis only includes demand response services.

Experience for MTO 1, MTO 10 and MTO 4 are excluded from trend analysis. MTO 1 and MTO 10 switched organizations effective 9/1/2017. MTO 4 is FFS.

### *Attachment 3*

#### Demand Response Reimbursement Change

The MTO in Region 7 reduced reimbursement to their demand response providers in August 2018. The base period demand response claims cost pmpm for this region was assumed to be the same as the demand response claims cost pmpm experience for the August 2018 through December 2018 period. Attachment 3 presents a summary of the derivation of this adjustment factor.

Medical Transportation Program  
 FY2020 MTO/FRB Rating  
 Demand Response Reimbursement Change Adjustment

**MTO Region 7**

Month	Demand Response Operating Cost				Demand Response Number of Trips				Demand Response Cost per Trip			
	Adult Urban	Adult Rural	Children Urban	Children Rural	Adult Urban	Adult Rural	Children Urban	Children Rural	Adult Urban	Adult Rural	Children Urban	Children Rural
Jan-18	596,109	409,608	81,545	35,507	14,971	5,083	1,782	424	39.82	80.58	45.76	83.74
Feb-18	546,091	395,232	77,124	40,324	14,166	4,838	1,656	463	38.55	81.69	46.57	87.09
Mar-18	585,651	439,140	75,006	33,012	15,190	5,196	1,682	377	38.56	84.52	44.59	87.56
Apr-18	574,770	437,002	65,839	27,457	14,977	5,224	1,502	297	38.38	83.65	43.83	92.45
May-18	584,047	451,081	76,606	27,327	14,833	5,383	1,663	280	39.37	83.80	46.07	97.60
Jun-18	571,222	431,347	75,001	33,159	15,155	5,166	1,646	365	37.69	83.50	45.57	90.85
Jul-18	517,563	447,873	61,197	31,812	15,252	5,289	1,589	339	33.93	84.68	38.51	93.84
Aug-18	546,238	448,313	62,549	35,867	16,499	5,563	1,853	399	33.11	80.59	33.76	89.89
Sep-18	463,943	363,005	61,943	26,622	14,292	5,078	1,673	353	32.46	71.49	37.03	75.42
Oct-18	519,691	379,440	71,870	28,280	16,407	5,696	1,922	382	31.67	66.62	37.39	74.03
Nov-18	461,396	335,707	59,666	30,968	14,583	5,162	1,627	441	31.64	65.03	36.67	70.22
Dec-18	415,409	319,036	49,345	22,340	13,506	4,784	1,330	311	30.76	66.69	37.10	71.83
CY2018	6,382,130	4,856,784	817,691	372,674	179,831	62,462	19,925	4,431	35.49	77.76	41.04	84.11
8/18-12/18	2,406,678	1,845,502	305,372	144,077	75,287	26,283	8,405	1,886	31.97	70.22	36.33	76.39
<b>Adjustment Factor</b>									<b>0.901</b>	<b>0.903</b>	<b>0.885</b>	<b>0.908</b>

## ***Attachment 4***

### FY2020 Medicaid Rate Certification Index

The index below includes the pages of this report that correspond to the applicable sections of the 2019-2020 Medicaid Managed Care Rate Development Guide, dated March 2019.

## **Section I. Medicaid Managed Care Rates**

### **1. General Information**

#### A. Rate Development Standards

- i. Rates are for the period September 1, 2019 through August 31, 2020 (FY2020).
- ii. (a) The certification letter is on page 8 of the report.  
(b) The final capitation rates are shown on page 7 of the report.  
(c) (i) See pages 1 through 4 of the report.  
(ii) See pages 1 through 4 of the report.  
(iii) See pages 1 through 4 of the report.  
(iv) Not applicable.  
(v) Not applicable.  
(vi) Not applicable.
- iii. Acknowledged.
- iv. Acknowledged.
- v. Acknowledged.
- vi. Acknowledged. Section 42 CFR § 438.8 does not apply to NEMT PAHP.
- vii. Acknowledged.
- viii. Acknowledged.
- ix. Acknowledged.

#### B. Appropriate Documentation

- i. Acknowledged.
- ii. Acknowledged.
- iii. Acknowledged.
- iv. See Attachment 1 pages 10 through 22 of the report.

## **2. Data**

### **A. Rate Development Standards**

- i. (a) Acknowledged.  
(b) Acknowledged.  
(c) Acknowledged.  
(d) Not applicable.

### **B. Appropriate Documentation**

- i. (a) See pages 1 through 2 of the report.
- ii. (a) See pages 1 through 2 of the report.  
(b) See pages 1 through 2 of the report.  
(c) See pages 1 through 2 of the report.  
(d) Not applicable.
- iii. (a) Base period data is fully credible.  
(b) See page 3 of the report.  
(c) No errors found in the data.  
(d) See page 5 of the report.  
(e) Value added services have been excluded from the analysis.

## **3. Projected benefit Costs and Trends**

### **A. Rate Development Standards**

- i. Acknowledged.



- ii. Acknowledged.
- iii. Acknowledged.
- iv. Acknowledged.
- v. Not applicable.

B. Appropriate Documentation

- i. See pages 7 and Attachment 1 pages 10 through 22 of the report.
- ii. (a) See Attachment 1 pages 10 through 22 of the report.  
  
(b) There have been no significant changes in the development of the benefit cost since the last certification.  
  
(c) Any overpayments or recoveries are included in the experience data.
- iii. (a) See Attachment 2 pages 23 through 26 of the report.  
  
(b) See Attachment 2 pages 23 through 26 of the report.  
  
(c) See Attachment 2 pages 23 through 26 of the report.  
  
(d) See Attachment 2 pages 23 through 26 of the report.  
  
(e) Not applicable.
- iv. Not applicable.
- v. Not applicable.
- vi. (a) Restorative enrollment can occur when an individual is deemed to have been Medicaid eligible during a prior period. If the individual was eligible for and enrolled in Medicaid managed care during the prior period, then the individual is retrospectively enrolled in the same managed care plan as their prior enrollment segment. The managed care plan is then retrospectively responsible for all Medicaid expenses incurred during this retrospective period and is also paid a retrospective premium for this time period.  
  
(b) All claims paid during retroactive enrollment periods are included in the base period data used to develop the FY2020 premium rate.  
  
(c) All enrollment data during retroactive enrollment periods are included in the base period data used to develop the FY2020 premium rate.

(d) No adjustments are necessary to account for retroactive enrollment periods because the enrollment criteria have not changed from the base period to the rating period. All retroactive enrollment and claims information has been included in the base period data, the trend calculations and all other adjustment factors.

vii. See Attachment 3 pages 27 through 28 of the report.

viii. See Attachment 3 pages 27 through 28 of the report.

#### **4. Special Contract Provisions Related to Payment**

##### A. Incentive Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) Not applicable.

##### B. Withhold Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) Not applicable.

##### C. Risk-Sharing Arrangements

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

HHSC includes an experience rebate provision in its contracts which requires the MTOs and FRBs to return a portion of net income before taxes if greater than the specified percentages. The net income is measured by the financial statistical reports (FSRs) submitted by the MTOs and FRBs and audited by an external auditor. The aggregated net income is shared as follows:

Pre-tax Income as a % of Revenues	MCO Share	HHSC Share
≤ 5%	100%	0%
> 5% and ≤ 8%	60%	40%
> 8% and ≤ 12%	35%	65%
> 12%	15%	85%

D. Delivery System and Provider Payment Initiatives

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) Not applicable.

E. Pass-Through Payments

i. Rate Development Standards

Acknowledged.

ii. Appropriate Documentation

(a) Not applicable.

**5. Projected Non-Benefit Costs**

A. Rate Development Standards

i. Acknowledged.

ii. Acknowledged.

iii. Acknowledged.

iv. Not applicable.

B. Appropriate Documentation

i. See page 6 of the report.

ii. See page 6 of the report.

- iii. See page 6 of the report.

## **6. Risk Adjustment and Acuity Adjustments**

### **A. Rate Development Standards**

- i. Acknowledged.
- ii. Acknowledged.
- iii. Acknowledged.

### **B. Appropriate Documentation**

- i. Not applicable.
- ii. Not applicable.
- iii. Not applicable.
- iv. Not applicable.

## **Section II. Medicaid Managed Care Rates with Long-Term Services and Support**

Not applicable.

## **Section III. New Adult Group Capitation Rates**

Not applicable.