MIKE FOGARTY
CHIEF EXECUTIVE OFFICER

MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

June 17, 2011

Mr. Albert Cortina
Chief Operations Officer
LogistiCare Solutions LLC
1640 Phoenix Blvd. Ste 200
College Park, GA 30349-5563

RE: Actuarial rates for SFY (State Fiscal Year) 2012

Dear Mr. Cortina,

Milliman has completed the final actuarial certification of the Non-emergency transportation program (SoonerRide). The new certified rate ranges for SFY2012 appear below. Based on LogistiCare's bid of 10.25% of the range variation (the difference between the high and low points of the range) for TANF members and LogistiCare's bid of 10.58% of the range variation for ABD members, the new per member/per month (pm/pm) rates are effective July 1, 2011 as follows:

Member Classification	Certified Range	Range Variation	% Bid by Logisticare	New Rate
TANF	$0.54 – 0.63	$0.09	10.25%	$0.55
ABD	$14.27-$16.64	$2.37	10.58%	$14.52
Family Planning	$0.03 - $0.11	$0.08		$0.07

I have attached Milliman's report for your review. If you have any questions please do not hesitate to contact me.

Sincerely,

Theresa S. Isenhour, BS, CPO, Sr. Contracts Coordinator
Legal Services
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Shelly S. Brandel, FSA, MAAA
Consulting Actuary

shelly.brandel@milliman.com

June 16, 2011

Mr. Kevin Rupe
Oklahoma Health Care Authority
Managed Care Division
4545 North Lincoln Boulevard
Oklahoma City, OK 73105

Re: State Fiscal Year 2012 Medicaid Non-Emergency Transportation Rates

Dear Kevin:

This letter documents the calculation of actuarially sound capitation rates for Oklahoma's Medicaid Non-Emergency Transportation (NET) program for the state fiscal year (SFY) 2012 contract period (July 1, 2011 – June 30, 2012). Our actuarial certification is also attached.

BACKGROUND

OHCA contracts with LogistiCare to provide NET services for the SoonerRide and SoonerPlan programs. OHCA retained Milliman to develop actuarially sound NET capitation rate ranges for the SFY 2012 contract period.

RESULTS

Table 1 shows the actuarially sound capitation rate ranges for the Temporary Assistance to Needy Families (TANF), Aged, Blind and Disabled (ABD), and SoonerPlan aid categories. The composite TANF / ABD capitation rates are based on the calendar year (CY) 2011 YTD (through March) distribution of member months. Please note, the composite rate will change if there is a change in the distribution of eligibles by aid category.

Table 1
Oklahoma Non-Emergency Transportation Program
July 2011 – June 2012 Capitation Rates Per Member Per Month (PMPM)

Aid Category	2011 YTD Member Months (%)	Lower Bound	Upper Bound
	SoonerRide		
TANF	77.7%	$ 0.54	$ 0.63
ABD	22.3%	14.27	16.64
Composite TANF / ABD	**100.0%**	**$ 3.60**	**$ 4.20**
	SoonerPlan		
Total	N/A	**$ 0.03**	**$ 0.11**

SoonerRide NET Capitation Rates

Exhibits 1 and 2 show the calculation of the actuarially sound capitation rate ranges for the TANF and ABD populations, respectively. Table 2 compares the SFY 2012 capitation rates to the SFY 2011 capitation rates:

Table 2
Oklahoma SoonerRide Non-Emergency Transportation Program
SFY 2012 Capitation Rate Changes

Category	SFY 2012	SFY 2011	Rate Change
		TANF	
Lower Bound	$ 0.54	$ 0.61	-11.5%
Upper Bound	0.63	0.69	-8.7%
		ABD	
Lower Bound	$ 14.27	$14.05	1.6%
Upper Bound	16.64	15.78	5.4%

The SFY 2012 rates for the TANF population are about 10% lower than the SFY 2011 rates, mostly due to a decrease in LogistiCare's encounter data cost PMPM (from $0.48 in CY 2009 to $0.41 in CY 2010). The SFY 2012 rates for the ABD population are about 3% higher than 2011.

SoonerPlan NET Capitation Rates

Exhibit 3 shows the calculation of the capitation rate ranges for the SoonerPlan population, which will be newly eligible for non-emergency transportation benefits related to Family Planning services as of July 1, 2011. The SFY 2012 capitation rate range is $0.03 to $0.11.

Note: Since SoonerPlan members have not been eligible for NET benefits in the past, there is no historical encounter data for this population from which to develop capitation rates. The SoonerPlan NET capitation rates in this letter are based on the TANF NET capitation rates, adjusted to reflect the services provided and members covered by the SoonerPlan program. While we believe these adjustments provide a reasonable expectation of the SoonerPlan NET costs, we recommend that OHCA closely monitor actual costs and update the capitation rates midyear if the actual costs are significantly different from these estimates.

METHODOLOGY AND ASSUMPTIONS

We used the following methodology and assumptions to develop the actuarially sound capitation rate ranges in Exhibits 1 through 3:

1. Base period NET costs per member per month (PMPM) are based on CY 2010 encounter data provided by LogistiCare for the following types of NET trips:

   > Ambulatory sedan / van
   > Gas reimbursement
   > Public transportation / bus
   > Stretcher trip
   > Wheelchair van

   We validated the encounter data by comparing it to LogistiCare's 2010 financial statements and data used in the prior rate setting calculation. Since the encounter data included three months of payment run-out, we did not make any adjustment for incurred but not reported claims to the 2010 data.

2. We projected the CY 2010 base cost PMPM to the SFY 2012 contract period using the following assumptions to develop the high and low endpoints of the actuarially sound capitation rate ranges:

   > Unit cost trend of between 4.1% and 5.2% per year:

   - We assumed fuel costs account for between 16% and 22% of the total unit cost for NET services. The US Department of Energy projects gasoline and diesel fuel will increase about 31.6% from CY 2010 to SFY 2012. Table 3 shows a summary of the Department of Energy projections as of May 25, 2011 (annual projections are based on the average of the monthly projections within CY 2010 and SFY 2012):

Table 3
U.S. Department of Energy Fuel Price Projections (Per Gallon)
Source: http://www.eia.doe.gov/steo

Fuel Type	CY 2010	SFY 2012
Gasoline	$ 2.83	$ 3.72
Diesel	$ 2.99	$ 3.93
Average	**$ 2.91**	**$ 3.83**

CY 2010 to SFY 2012 Trend Factor = $3.83 / $2.91 = 1.316

   - We assumed the remaining non-fuel percentage of the total unit cost for NET services will increase at a rate similar to the General CPI without food and energy (an annual increase of 0.9%). The CY 2010 to SFY 2012 trend factor is 1.013.

- The development of the blended unit cost trend assumptions is shown below:
  - Lower bound trend assumption = 16% * 1.316 + 84% * 1.013 = 1.061
    - Annual trend rate = 4.1%
  - Upper bound trend assumption = 22% * 1.316 + 78% * 1.013 = 1.080
    - Annual trend rate = 5.2%

> Utilization trend of between 1% and 3% per year. The average annual utilization trend based on the number of trips was about 1.8% from 2007 to 2010.

> Additional utilization adjustment of between 5% and 7% to account for the anticipated impact on non-emergency transportation utilization due to higher fuel costs. In 2008, we observed significant increases in utilization per member along with sharp increases in fuel costs during the same time period. Since that time, utilization has decreased on a per member basis. However, with fuel costs currently on the rise again, we anticipate a similar increase in usage.

> Managed care savings assumptions of between 2% and -2%

> Administration / profit allowance of between 15% to 19% of revenue

- A broker administrative allowance of between 12% and 15% of revenue
- Profit allowance of between 3% and 4% of revenue

3. As of July 1, 2011, the SoonerPlan population will be eligible to receive non-emergency transportation benefits associated with family planning services only. Since this population has not been eligible for transportation services in the past, there is not historical data from which to calculate NET capitation rates. We used the following methodology to develop the SoonerRide capitation rates:

> We started with the TANF NET capitation rates

> We estimate that between 1% and 3% of total non-emergency transportation services are related to Family Planning benefits. Therefore, we applied a cost adjustment of 1% to 3% to adjust the TANF NET capitation rates to reflect Family Planning services only.

> Based on April 2011 information from the OHCA website, adults represent about 17.3% of total TANF members. Since the SoonerPlan program covers adults only, we made an adjustment of 5.78 (1 / 17.3%) to remove children from the membership base.

> The SoonerPlan capitation rates are calculated by multiplying the TANF capitation rates by these two adjustments. The final SoonerPlan capitation rates range from $0.03 to $0.11.

CAVEATS AND LIMITATIONS ON USE

This letter is intended for the internal use of OHCA and it should not be distributed, in whole or in part, to any external party without the prior written permission of Milliman. We do not intend this information to benefit any third party even if we permit the distribution of our work product to such third party. We understand OHCA will distribute this letter to CMS and the NET contractor.

This letter provides rates for the Medicaid NET program. This information may not be appropriate, and should not be used, for other purposes.

The actual cost of NET services will likely differ from the estimates in this letter based on how these services are actually delivered by the broker. In preparing this information, we relied on information provided by OHCA. We accepted this information without audit, but reviewed the information for general reasonableness. Our recommendations may not be appropriate if this information is not accurate.

The terms of Milliman's contract with OHCA effective June 23, 2009 apply to this letter and its use.

Please call John Meerschaert at (262) 796-3434 or me at (262) 796-3482 if you have any questions.

Sincerely,

Shelly Brandel

Shelly S. Brandel, FSA, MAAA
Consulting Actuary

SSB/zk

Attachments

Exhibits

Exhibit 1

State of Oklahoma Medicaid
Non-Emergency Transportation Rate Development
SFY 2012

TANF

	Ambulatory Trip	Gas Reimbursement	Public Transportation	Stretcher Trip	Wheelchair Van	Total
Baseline Cost PMPM:						
CY 2010 Billed Charges - Encounter Data	$ 1,809,579	$ 449,200	$ 11,340	$ 1,133	$ 39,306	$ 2,310,558
CY 2010 Member Months Reported						5,601,250
PMPM Service Cost	$ 0.32	$ 0.08	$ 0.00	$ 0.00	$ 0.01	$ 0.41
Projection to SFY 2012:						
Unit Cost Trend to July 2011 - June 2012						
Low (4.1% annual rate)						1.061
High (5.2% annual rate)						1.080
Utilization Trend (CY 2010 to July 2011 - June 2012)						
Low (1% annual rate)						1.015
High (3% annual rate)						1.045
Fuel Cost Utilization Adjustment						
Low (5% adjustment)						1.050
High (7% adjustment)						1.070
Managed Care Savings						
Low (-2% savings)						0.980
High (2% savings)						1.020
Administration / Profit Allowance						
Low (15% of capitation rate)						1.176
High (19% of capitation rate)						1.235
SFY 2012 Capitation Rate Ranges:						
Low						**$ 0.54**
High						**$ 0.63**

Exhibit 2

State of Oklahoma Medicaid
Non-Emergency Transportation Rate Development
SFY 2012

ABD

	Ambulatory Trip	Gas Reimbursement	Public Transportation	Stretcher Trip	Wheelchair Van	Total
Baseline Cost PMPM:						
CY 2010 Billed Charges - Encounter Data	$ 12,003,715	$ 1,282,317	$ 95,136	$ 14,773	$ 4,306,546	$ 17,702,487
CY 2010 Member Months Reported						1,618,116
PMPM Service Cost	$ 7.42	$ 0.79	$ 0.06	$ 0.01	$ 2.66	$ 10.94
Projection to SFY 2012:						
Unit Cost Trend to July 2011 - June 2012						
Low (4.1% annual rate)						1.061
High (5.2% annual rate)						1.080
Utilization Trend (CY 2010 to July 2011 - June 2012)						
Low (2% annual rate)						1.015
High (4% annual rate)						1.045
Fuel Cost Utilization Adjustment						
Low (5% adjustment)						1.050
High (7% adjustment)						1.070
Managed Care Savings						
Low (-2% savings)						0.980
High (2% savings)						1.020
Administration / Profit Allowance						
Low (15% of capitation rate)						1.176
High (19% of capitation rate)						1.235
SFY 2012 Capitation Rate Ranges:						
Low						**$ 14.27**
High						**$ 16.64**

Exhibit 3

State of Oklahoma Medicaid
Non-Emergency Transportation Rate Development
SFY 2012

SoonerPlan

SFY 2012 TANF NET Capitation Rates (Exhibit 1):		
Low	$	0.54
High	$	0.63
Adjustment to Cover Family Planning Services Only		
Low		0.01
High		0.03
Adjustment to Reflect Coverage for Adults Only [1]		
Low		5.787
High		5.787
SFY 2012 Capitation Rate Ranges:		
Low	**$**	**0.03**
High	**$**	**0.11**

[1] *Adults represent 17.3% of total SoonerCare Choice enrollment as of April 2011. Source: SoonerCare Adult Fast Facts - April 2011, OHCA website. Adjustment = 1 / 17.3%.*

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Appendix A
Oklahoma Health Care Authority
Actuarial Certification
Medicaid Non-Emergency Transportation Program
July 1, 2011 – June 30, 2012 Capitation Rates

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June 16, 2011

Appendix A
Oklahoma Health Care Authority
Actuarial Certification
Medicaid Non-Emergency Transportation Program
July 1, 2011 – June 30, 2012 Capitation Rates

I, Shelly S. Brandel, am associated with the firm of Milliman, Inc. and am a member of the American Academy of Actuaries and meet its Qualification Standards for Statements of Actuarial Opinion. I have been retained by the Oklahoma Health Care Authority (OHCA) to perform an actuarial certification of the Medicaid Non-Emergency Transportation program capitation rates for July 1, 2011 - June 30, 2012 for filing with the Centers for Medicare and Medicaid Services (CMS). I reviewed the development of the capitation rates and am familiar with the Code of Federal Regulations, 42 CFR 438.6(c) and the CMS "Appendix A, PAHP, PIHP, and MCO Contracts Financial Review Documentation for At-risk Capitated Contracts Ratesetting."

I examined the actuarial assumptions and actuarial methods used to develop the capitation rates for July 1, 2011 - June 30, 2012. To the best of my information, knowledge, and belief, for the period from July 1, 2011 - June 30, 2012, the capitation rates offered by OHCA are in compliance with 42 CFR 438.6(c). The attached actuarial letter describes the capitation rate methodology.

In my opinion, the capitation rates are actuarially sound, have been developed in accordance with generally accepted actuarial principles and practices, and are appropriate for the populations to be covered and the services to be furnished under the contract.

In making my opinion, I relied upon the accuracy of the underlying records and data prepared by OHCA. A copy of the reliance letter received from OHCA is attached and constitutes part of this opinion. I did not audit the data and calculations, but did review them for reasonableness and consistency and did not find material defects. In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary.

The capitation rates may not be appropriate for a specific organization. Any organization will need to review the rates in relation to the benefits provided. The organization should compare the rates with its own experience, expenses, capital and surplus, and profit requirements prior to agreeing to contract with OHCA. The organization may require rates above, equal to, or below the actuarially sound capitation rates.

Actuarial methods, considerations, and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time-to-time by the Actuarial Standards Board, whose standards form the basis of this Statement of Opinion.

It should be emphasized that capitation rates are a projection of future costs based on a set of assumptions. Actual costs will be dependent on each contracted organization's situation and experience.

This Opinion assumes the reader is familiar with the Oklahoma Medicaid program, Medicaid eligibility rules, and actuarial rating techniques. The Opinion is intended for the State of Oklahoma and Centers for Medicare and Medicaid Services and should not be relied on by other parties. The reader should be advised by actuaries or other professionals competent in the area of actuarial rate projections of the type in this Opinion, so as to properly interpret the projection results.

Shelly Brandel

Shelly S. Brandel
Member, American Academy of Actuaries

June 16, 2011

Milliman

Reliance Letter

MIKE FOGARTY
CHIEF EXECUTIVE OFFICER

MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

June 16, 2011

Mr. John D. Meerschaert, F.S.A.
Milliman, Inc.
15800 Bluemound Road, Suite 100
Brookfield, WI 53005

Re: Actuarial Certification of July 1, 2011 – June 30, 2012 Oklahoma Medicaid SoonerRide and SoonerPlan Non-Emergency Transportation Capitation Rates

Dear John:

I, Kevin Rupe, Director of Member Services for the Oklahoma Health Care Authority (OHCA), hereby affirm that the data prepared and submitted to Milliman, Inc. (Milliman) for the purpose of certifying the July 1, 2011 – June 30, 2012 SoonerRide and SoonerPlan Non-Emergency Transportation (NET) capitation rates were prepared under my direction, and to the best of my knowledge and belief are accurate and complete. This data includes:

1. Encounter data for services provided by LogistiCare between January 1, 2009 and February 28, 2011

2. Eligibility data for January 1, 2009 through March 31, 2011

3. Other supporting documentation, including:

   a. LogistiCare financial data used to validate encounter data
   b. A statement that OHCA does not anticipate any program changes to the SoonerRide program for SFY 2012
   c. LogistiCare non emergency trip utilization data
   d. Other computer files
   e. Conversations concerning supplied data

Kevin Rupe
(Name)

Director of Member Services OHCA
(Title)

6-16-2011
(Date)