

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO <i>Myers/Smith</i>	DATE <i>10-3-08</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000188</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>E: Emma [Signature]</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>10/13/08</i>
	<input type="checkbox"/> Necessary Action DATE DUE _____

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			
4.			



MTM
Medical Transportation
Management, Inc.

September 29, 2008

RECEIVED
OCT 03 2008
Department of Health & Human Services
OFFICE OF THE DIRECTOR

Emma Forkner
Director
Department of Health and Human Services
State of South Carolina
PO Box 8206
Columbia, SC 29202-8206

RE: Request for review of actuarial study and rate adjustment

Dear Emma:

During the last 17 months of service, MTM has been striving to improve the quality and cost of delivery of transportation services in Region 1 and 2 for the State of South Carolina. To that end we have designed a program to maximize the utilization of the Council on Aging (COA) federally and state funded transportation programs in our counties of operation. We have worked hand in hand with the COAs to send them the most 'routeable' trips best suited for their large multi-passenger vans, while utilizing private, for-hire providers to transport the urgent, long distance and special needs trips. This segmentation of the trips has resulted in a highly cost-effective program with a high degree of recipient satisfaction. We have also invested in a locally based Customer Service Center to improve MTM's presence in South Carolina as a locally based provider of services.

We understand that your agency is aware of MTM's positive perception in the community. We would like to continue to be a provider of quality services in South Carolina for years to come; however, most important to maintaining a quality program is having a properly funded program. As you know, the trip data supplied in the RFP was inaccurate and resulted in MTM bidding a lower rate than warranted to service our contracted regions. As a result, DHHS issued an actuarial rate study to adjust rates to MTM; we received a rate increase in March of 2008 and are appreciative of that increase, though it is insufficient due to inaccurate assumptions to establish the rates.

MTM was recently able to access a copy of the actuarial study and its assumptions. We have identified what we believe are fundamental flaws in the study and ask DHHS to complete a mid-year review of the study and adjust rates paid to MTM in accordance with the following issues:

1. The study establishes an administrative cost range from 10 to 18%, based on a 2001 study. We are aware of no programs similar in scope of services to that of the South Carolina program operating at a 10% administrative rate. Medicaid transportation management has matured significantly from 2001. This is not a realistic administrative cost range for the required management of this program;

we would argue the lowest possible administrative rate should be 15%, with a full range being 15 to 25%.

2. The rate paid to MTM from the study was set at the lowest actuarial bound rate. Only programs mature in operations, with all efficiencies and cost savings having been achieved would be able to operate at the low end of the rate range. MTM is still in the process of refining program management and streamlining operations, which involves working with facilities, transportation providers, DHHS and recipients. For these reasons we would argue that being paid at the low end of the rate range is inappropriate.
3. The increase in gas prices has far exceeded estimates and therefore the underlying cost of transportation used in the transportation base claims of the study is depressed. We would request that a mid-year review of transportation expenses be conducted.

To continue our focus on providing quality service to DHHS and the Medicaid recipients in our service areas, we would like to request that mid-year contract actuarial rate study be conducted and receipt of a rate adjustment beginning 9/1/08 be applied to MTM's contract. We would recommend the study's assumptions be adjusted in the following manner:

1. Adjust the administrative minimum load from 10 to 15%.
2. Put MTM's rate in the 25 percentile as opposed to the 0 percentile.
3. Gross up base claims by a minimum of 10% to account for the increase in gas prices.

We understand that a mid-year review is not standard, but our quality services and the above-mentioned factual issues present a compelling case to adjust our rate accordingly. This will allow MTM to focus on quality service provisions, while continuing to provide significant cost savings to the state.

I look forward to your review and consideration of our request.

Sincere regards,



Alaina Macia
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State of South Carolina
Department of Health and Human Services

Mark Sanford
Governor

October 2, 2008

Emma Forkner
Director

Ms. Alaina Maciá
President and Chief Executive Officer
MTM, Inc.
16 Hawk Ridge Drive
Lake St. Louis, Missouri 63367-1829

Dear Ms. Maciá: *Alaina*

Thank you so much for your letter detailing the positive transportation services MTM provides in Region 1 and 2 for the state of South Carolina. I agree with you on your assessment that MTM does have a positive perception in the community and that you do provide quality services.

You make a good case for a mid-year review and, if SC Medicaid were in different times, it might be possible to honor your request. The state is experiencing major budget problems and in August 2008, I received a letter directing me to reduce 28.5million from my base budget. I've just reduced a significant number of rates and even eliminated some programs. None of this was easy. You may have read in the paper, the state economic advisors forecast even less revenue and we are on alert for more reductions.

I am grateful we have the transportation contract in place and that we can continue paying the monthly rates. During the annual contract review period, another actuarial study will be done. We will examine options with rates at that time using the actuarial study.

Thank you for your role as a quality Medicaid transportation broker. I appreciate your leadership.

Sincerely,

Emma
Emma Forkner
Director

EF:jp