



## Legislative Fiscal Bureau

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June 8, 2007

Joint Committee on Finance

Paper #386

### **Claim Common Carrier Transportation as an MA Benefit (DHFS -- MA -- General)**

#### *Bill Section*

[LFB 2007-09 Budget Summary: Page 272, #11]

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#### **CURRENT LAW**

Federal medical assistance (MA) regulations require states' MA programs to ensure that MA recipients have access to necessary transportation to and from MA providers. In addition, federal MA regulations require states' MA programs to pay for related travel expenses that are necessary to secure medical examinations and treatment for MA recipients.

By rule (HFS 107.23), Wisconsin's MA program covers common carrier transportation services that are approved by a county or tribal economic support agency. Common carrier transportation includes transportation typically provided by buses, taxis, and private motor vehicles. In providing these services, counties must ensure that MA recipients use the least expensive means the individual is capable of using and that is reasonably available at the time the service is required. In addition, counties and tribes may only pay for the service after sources for free transportation, such as transportation provided by family and friends, have been exhausted.

MA payment for these services includes charges of the common carrier, mileage expenses, and a contracted amount a county or tribal agency or its designated agency has agreed to pay a common carrier. A county or tribal agency may develop its own transportation system or enter into contracts with common carriers, individuals, private businesses, specialized medical vehicle providers, and other governmental agencies to provide common carrier services.

While nearly all counties administer common carrier transportation themselves, Milwaukee County is required by DHFS to contract with HMOs to provide common carrier transportation services for their MA-eligible enrollees.

Common carrier transportation services are currently considered MA administration costs for the purpose of claiming federal matching funds. As such, 50% of the costs of paying counties and tribes for common carrier transportation services are funded with federal matching funds. In contrast, approximately 58% of the costs of paying health care providers for most MA-covered services are funded with federal matching funds.

## **GOVERNOR**

Reduce MA benefits funding by \$2,002,900 GPR in 2007-08 and by \$2,370,500 GPR in 2008-09 and increase FED funding for MA benefits by corresponding amounts to reflect the net effect of the administration's proposal to claim most common carrier transportation costs as MA service costs (eligible for MA matching funds equal to approximately 58% of MA reimbursement), rather than as MA administration costs (eligible for MA matching funds equal to 50% of reimbursement).

There are no statutory changes relating to this item in the budget.

## **DISCUSSION POINTS**

1. DHFS does not currently collect information from counties or tribes on the number of trips, costs per trip, or the type of common carrier transportation services MA recipients use. Instead, counties submit reports that identify their reimbursable costs of providing common carrier transportation services. DHFS pays these costs from the MA benefits appropriations.

2. Reimbursable common carrier transportation expenses include some non-transportation expenses, such as motel and meal reimbursement in cases where these expenses are incurred in transporting an individual to a medical appointment. Reimbursement for the costs of meals and commercial lodging may not exceed the amounts paid by the state to its employees for those expenses. The MA program also pays counties and tribes for their administrative expenses of providing common carrier transportation services. In responding to a 2003 informal survey conducted by DHFS, counties indicated that these costs represented between 1% and 9% of their total common carrier transportation costs. The administration's cost estimate of this item assumes that these costs would continue to be claimed as MA administration costs, subject to the 50% federal matching rate.

3. MA costs of providing common carrier transportation have increased significantly during the past several years. The following table shows common carrier costs, by calendar year, from 1999 through 2006.

## MA Common Carrier Transportation Expenditures

<u>Counties</u>		<u>Tribes</u>	
<u>Calendar Year</u>	<u>Expenditures</u>	<u>Fiscal Year</u>	<u>Expenditures</u>
1999	\$7,575,600	1998-99	\$84,600
2000	8,471,300	1999-00	104,300
2001	9,861,900	2000-01	110,300
2002	13,345,300	2001-02	147,700
2003	16,519,400	2002-03	168,300
2004	19,706,100	2003-04	189,500
2005	22,707,700	2004-05	190,400
2006 (Preliminary)	21,497,200	2005-06	217,700
Change, 1999 through 2006			
Amount	\$13,921,600		\$133,100
Percent	184%		157%

The recent growth in costs of providing common carrier transportation services may be largely attributable to increases in MA caseload during this period. However, because counties and tribes do not report detailed information on these services to DHFS, such as the number of trips that MA recipients receive, and the mode of transportation they use, it difficult to draw conclusions about whether counties and tribes are complying with the requirement that they use the least expensive means the individual is capable of using and that is reasonably available at the time the service is required.

4. In order for DHFS to claim the costs of common carrier transportation services as a medical benefit cost, rather than as an administrative cost, these services must meet certain criteria. For example: (a) MA recipients must have the freedom to choose providers; (b) all providers who wish to offer the service must be permitted to participate if they meet certification requirements; and (c) the same level of service must be provided throughout the state and to all clients with similar needs.

5. A state may apply for a section 1915(b) freedom of choice transportation waiver from the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), which, if approved, would permit the state to be reimbursed for non-emergency medical transportation as a medical expense, without being required to meet the criteria described above.

6. States that CMS has permitted to claim nonemergency transportation as a medical service rather than an administrative service, have implemented transportation brokerage models. The transportation brokers verify MA clients' eligibility for the transportation program and arrange the least costly method of transportation which is available and appropriate for each client. Brokers typically administer both SMV and common carrier transportation and receive an administrative fee to coordinate the transportation program, plus reimbursement for the direct trip costs. CMS has

approved many states' use of transportation brokers, as the brokers are thought to provide savings in efficiency and decrease the opportunity for fraud.

7. DHFS will likely need to request a freedom of choice waiver to claim nonemergency transportation as a medical service, rather than an administrative service. In addition, DHFS will change the way it administers common carrier transportation services in order to claim these services as MA service costs, rather than MA administration costs.

8. First, DHFS may require counties and tribes to submit additional information on trips funded by the MA program. DHFS is currently working with county staff to develop a new electronic data reporting system. It is possible that 2008 income maintenance contracts would include a requirement that all income maintenance agencies report data using the new system.

9. Second, DHFS is considering including common carrier transportation services in the capitation rates it pays to HMOs. By doing so, HMOs would have a financial interest in minimizing transportation costs, including ensuring that MA recipients use the lowest cost transportation option available to them to get to their medical appointments. As previously indicated, DHFS already requires HMOs to provide common carrier transportation services in Milwaukee County, and provides other counties this option.

10. It is not known whether CMS would consider the administrative changes described above, or other changes DHFS may make, sufficient to meet standards for approval for a freedom of choice waiver. Further, the administration's savings estimate assumes that the state will be able to begin claiming common carrier transportation costs as MA service costs beginning July 1, 2007, even though the county and tribal reporting system will not likely be in place by that date. For these reasons, the assumed savings are uncertain.

**ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation.
2. Delete provision.

<b>ALT 2</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	\$4,373,400	\$0
FED	<u>- 4,373,400</u>	<u>0</u>
Total	\$0	\$0

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