**Legislative Fiscal Bureau**
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May 26, 2005 Joint Committee on Finance Paper #372

# Non-Emergency Transportation Services (DHFS -- Medical Assistance, BadgerCare, and SeniorCare -- Eligibility, Payments, and Services)

[LFB 2005-07 Budget Summary: Page 244, #4]

## CURRENT LAW

A federal rule (42 CFR 431.53) requires states' medical assistance (MA) programs to ensure that MA recipients have access to necessary transportation to and from MA providers. Another federal rule (42 CFR 440.170) requires states to pay for related travel expenses that are necessary to secure medical examinations and treatment for MA recipients.

Wisconsin's MA program offers nonemergency transportation services to MA recipients by specialized medical vehicle (SMV), and county or tribal agency-approved common carrier, in accordance with rules promulgated by the Department of Health and Family Services (DHFS) under HFS 107.23.

*SMV Transportation.* DHFS rules define an SMV as a vehicle equipped with a lift or ramp for loading wheelchairs. The driver of an SMV must have first aid training and CPR certification. SMV transportation is a covered service for MA recipients who are legally blind, or indefinitely or temporarily disabled as documented in writing by a physician, physician assistant, nurse midwife, or nurse practitioner. The documentation from the provider must indicate why the person's condition prevents him or her from using common carrier or private vehicle transportation.

The MA program certifies SMV providers and reimburses them directly for claims they submit for the services they provide MA recipients. MA recipients, other than nursing home residents, children, and health maintenance organization (HMO) enrollees, are required to pay a copayment of $1.00 per trip. In 2003-04 DHFS reimbursed 218 SMV providers approximately $20.2 million (all funds) for approximately 932,500 trips they provided to 28,800 MA recipients.

The costs of providing these services are partially funded with federal matching funds at the matching rate for most MA services (currently, approximately 58% of eligible costs).

*Common Carrier Transportation*. Common carrier transportation is defined as any mode of transportation approved by a county or tribal economic support agency, except an ambulance or an SMV, unless an SMV is authorized under an exception that is specified by rule.

In 2003-04, DHFS reimbursed counties and tribes approximately $16.7 million for common carrier services counties and tribes purchased for the rest of the MA fee-for-service population (approximately 515,200 recipients). Counties and tribes do not report information on the use of common carrier transportation services by MA recipients, but submit claims to DHFS for the costs they incur to purchase these transportation services. Because common carrier transportation services are considered administrative MA expenses, the federal matching rate for these services is 50%, rather than 58% of eligible costs.

Common carrier transportation expenditures have increased significantly during the past three years, from $13.9 million in 2002-03, to $17.9 million in 2003-04, and a projected $22.0 million in 2004-05

**GOVERNOR**

Provide $52,400 ($26,200 GPR and $26,200 FED) in 2005-06 and reduce funding by $6,658,100 (-$3,083,900 GPR and -$3,574,200 FED) in 2006-07 to implement a transportation management (broker) program. Authorize DHFS to audit and pay allowable charges on behalf of MA recipients to obtain appropriate, nonemergency medical services provided through an entity with which DHFS has contracted to manage transportation services for the MA program. Delete current references to the Department's authority to pay for transportation services by specialized medical vehicle and transportation by common carrier or private motor vehicles to obtain medical care. Authorize DHFS to pay for transportation to obtain nonemergency medical care by emergency medical vehicle if transportation by other means is contraindicated.

Under this item, DHFS would seek a freedom-of-choice transportation waiver from the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), to enable the Department to contract with a broker that would provide a single point of contact for recipients in need of transportation to non-emergency medical services. This item includes two components.

*Projected MA Benefits Savings*. Reduce MA benefits funding by $6,719,000 (-$3,114,400 GPR and -$3,604,600 FED) in 2006-07 to reflect projected savings that would result from this initiative due to increased use of ride sharing, improved provider dispatching, and a reduction of administrative costs and fraud. The projected savings equals 20% of the administration's estimates of the total costs of providing MA-funded specialized medical transportation services ($16,064,500) and county transportation services ($17,530,600) in 2006-07.

*Program Manager*. Provide $52,400 ($26,200 GPR and $26,200 FED) in 2005-06 and $60,800 ($30,400 GPR and $30,400 FED) in 2006-07 for DHFS to contract for a program manager, who would meet with stakeholders, obtain federal waiver approval, issue a request-for-proposal, negotiate the contract, and notify providers and MA recipients.

## DISCUSSION POINTS

### Transportation Brokerage Systems

1. Transportation brokers typically provide centralized vehicle dispatch, record keeping, vehicle maintenance, and other services under contractual arrangements with agencies, municipalities, and other organizations. Some brokers provide other services, such as enrolling and reimbursing providers, overseeing quality assurance, and coordinating with state transit agencies and other human service agencies. Brokers identify the needs of riders and match them with the most appropriate, lowest cost service providers. Brokers also coordinate services by scheduling trips and grouping riders into a smaller number of separate trips, which can further reduce costs.

2. Some brokers operate under risk-based capitated contracts, while others are paid based on the number of trips clients receive. Brokers can operate as non-profit or for-profit agencies. In some states, brokers provide some of the actual transportation services to recipients, but in most states, brokers subcontract with a number of different vendors, including public transit agencies, for most of these services. Most states that operate brokerage systems have many brokers, each serving separate geographical regions of the state.

3. States claim non-emergency transportation services as either administrative expenses or as optional medical service expenses. Federal MA matching funds support 50% of the costs of administrative expenses, while medical services are reimbursed at the state federal matching percentage, which for Wisconsin, is approximately 58%. To qualify as an optional medical service, non-emergency medical transportation 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.

4. A state may apply for a section 1915(b) freedom of choice transportation waiver, which allows the state to be reimbursed for non-emergency medical transportation as a medical expense, without being required to meet the criteria for an optional medical service discussed previously. Many states currently operating brokerage models are doing so under this type of waiver. One of the stipulations of this type of waiver is that the rates paid to the broker must be actuarially sound.

5. In its 1997 report, *Controlling Medicaid Non-Emergency Transportation Costs,* the U.S. Department of Health and Human Services, Office of the Inspector General found that some MA transportation providers committed fraud and abuse by billing for more miles than they actually

provided and billing MA for trips they did not take. In addition, the report found that some recipients abused the service by using MA-funded transportation services when they have other means of transportation available to them.

6. This model of transportation delivery can lead to increased access in parts of the state that currently experience access problems if the contract with the broker is written in a way that requires that transportation be provided to all recipients in all parts of the state.

**Other States' Experience with Transportation Brokerage Models**

7. A December, 2003, report by the American Public Human Services Association indicates that many states have adopted a brokerage model to provide non-emergency transportation services to MA recipients. The report indicates that approximately 21 states currently operate some type of brokered transportation model. This office contacted MA staff in several states to discuss these states' experience with brokered systems.

8. The State of Washington has been using a brokered system for nonemergency transportation for 14 years. That state's staff report that the average payment per trip decreased from approximately $37 to $17 over the course of several years and that MA recipients' access to services increased after the state implemented the brokerage system. The state currently uses eight brokers that provide services in 13 geographical areas throughout the state. The brokers subcontract with approximately 150 transportation providers. Since the brokers cannot provide transportation services themselves, there is no financial incentive for them to provide unnecessary transportation services in order to increase MA payments. In addition to paying the broker for administering brokerage services, the state pays the brokers on a cost-per-trip basis. Both national and local brokers bid for the brokerage contracts based on actual costs, infrastructure, and ability to provide quality services. None of the national bidders have ever been competitive enough to receive a contract. Most of the brokers are non-profit agencies that have been operating in the state for many years and have a strong stake in the community. Subcontractors compete for business based on cost and quality. State staff believe that the free market system that ensues is one of the major reasons the program is able to reduce costs, while still maintaining quality services. Brokers are motivated to keep their contracts and must maintain low costs and provide high quality services to do so.

9. The State of Delaware's staff report that Delaware is currently in its third year of a one-broker, capitated rate model. The agency reports that the change has not reduced or increased costs of providing transportation services, but services have improved and fraud and abuse has been reduced or eliminated. The bidding process was challenging in Delaware because no solid encounter data (data on ridership) was available. This could be an issue in Wisconsin, since DHFS does not currently collect encounter data for common carrier transportation services.

10. The State of Kentucky provides transportation services to its elderly, disabled, and MA population under a statewide brokerage system that divides the state into 15 regions, with each region serviced by a single broker, many of which are public transportation service providers. These 15 brokers contract with the state under a capitated rate per rider, which creates incentive for

the broker to reduce costs per rider. A study by the Kentucky Legislature found that the program is reducing the costs of providing transportation services. According to the American Human Services Association report, Kentucky reduced trip costs by approximately 30%. In addition, the total number of rides provided each year has increased significantly since the state implemented the broker system. The legislative report also indicated that overall satisfaction of riders appeared high. However, the study noted that the quality assessment system for determining rider satisfaction might be insufficient.

11. The State of Minnesota has recently implemented a brokerage system in the Minneapolis/St. Paul metropolitan area for common carrier transportation and for eligibility determinations for SMV transportation. The state plans to expand the model to other parts of the state. SMV services are not provided through the broker. The state reports that common carrier ridership has increased and SMV ridership has decreased due to increased efforts to ensure that only individuals who are found to be appropriate for SMV services, receive these services, while all others use common carrier transportation. The state reports that costs have been reduced by approximately 20%, after accounting for administrative costs, in the areas that the state has implemented the brokerage system.

12. However, Minnesota reports that the new system was a significant change for clients, transportation providers, and medical providers, which are now much more involved in determining what transportation services clients receive than they were previously. Staff indicate that, initially, people were not satisfied with the new system due to the changes and challenges with initial implementation, but that recent surveys of clients indicate a positive response.

A private survey commissioned by Minnesota skilled nursing facilities and assisted living facilities, conducted by Pinkett Consulting, reports dissatisfaction with the broker system among the staff at these facilities. According to the survey, 63% of respondents felt that the broker failed to arrange the appropriate level of transportation service for their clients. Respondents reported that the process is excessively time consuming and that the broker model is not meeting their clients' needs. The onus of approving the client for special transportation has shifted to the medical provider, which is often staff at these facilities. The survey reported that 99% of the respondents felt that someone other than the facility staff is most qualified to make the determination of recipient's appropriateness for specialized transportation.

13. Some states that use a brokerage system report savings of between 0% and 30% of the costs they previously incurred to provide transportation services once their systems were fully implemented. Most states report that these cost savings continue over the long-term. Cost savings may result from more efficient allocation of resources, including shared ridership and improved provider dispatching, a reduction in administrative costs, and a reduction in fraud and abuse.

Some states also realize savings by obtaining a freedom of choice transportation waiver, which allows them to be reimbursed for these services as a medical expense. For states that have a federal participation rate that is higher than 50%, this results in increased federal financial participation. The administration assumes that Wisconsin would obtain this type of waiver and

would realize some savings as a result of an increase in the federal financial participation for the transportation services that are currently reimbursed at the 50% federal matching rate.

**Potential Concerns**

14. Broker systems would affect the type and level of transportation services MA recipients receive. For example, in order to generate cost savings, and thus generate profit, a broker may schedule trips that maximize the number of passengers by using van pools, by doubling-up of passengers, or by limiting the days on which nonemergency trips are offered. While such practices could reduce state and federal MA costs, these practices, if implemented, would limit the convenience of, or access to, the services currently available to riders. However, DHFS could address these concerns by providing guidelines for service delivery in the request for proposal (RFP) that is issued for these services, and clearly defining service delivery requirements for situations where special exceptions to the model might be necessary.

15. If DHFS chose to make capitated payments, the broker or brokers would have an incentive to reduce costs in order to make a profit on the contract. While this payment method would help the state realize savings, it could potentially reduce the quality of transportation services that are currently available to MA recipients. To address this concern, DHFS will include quality and access requirements in the contract with the broker. In addition, DHFS could ensure that the RFP is written in a way that requires that a specific percentage of the criteria it would use to select the broker or brokers would be related to quality.

16. In written testimony to the U.S. Senate Committee on Health and Human Services dated March 4, 2003, Michael Plaster, Executive Director of the Texas Transit Association, raised a concern that a single, out-of-state broker could adversely affect the quality of services MA recipients receive. He stated that, in his opinion, most successful brokerages have been based on a "service" model and are successful because the broker is committed to coordinating resources, is invested in the well-being of the community it is serving, and is concerned with improving access to healthcare. DHFS staff indicates that one way to attempt to alleviate this concern is to require any out-of-state brokers to employ a certain number of in-state workers.

17. Some current SMV providers have expressed concern that if the state implements a brokerage model, they may go out of business. Because the broker system uses a model that allows the market system to dictate contracts, it is possible that some current providers might not be able to compete. DHFS plans to meet with stakeholders, including current providers, to give them the opportunity to provide suggestions as the RFP is developed.

**Non-Emergency Transportation in Wisconsin**

18. DHFS staff indicate that the current MA nonemergency transportation system is not as efficient as it could be, since it is unlikely that all recipients are using the most appropriate and cost-effective means of transportation available. Under the current system, any provider who meets the qualifications established by DHFS is certified as an SMV provider. Once that occurs, any

recipient can use that provider for transportation services if they have the appropriate authorization to ride in an SMV.

19. The current system does not reward cost-effectiveness, but simply pays all the claims submitted to DHFS by authorized providers. SMV providers are paid either the lesser of their usual and customary charge (the typical amount they would charge other purchasers for the same service) or the maximum reimbursement rate established by DHFS. Because SMV providers are paid less per rider if they carry multiple recipients at once, they do not have incentive to be more efficient in scheduling trips. Currently, approximately 218 SMV providers operate throughout the state. In addition, under the current system, medical providers have no incentive to carefully review the real need for their patients to use SMV services, and according to DHFS, medical providers may sign the forms because they feel obligated to do so and want to maintain a positive relationship with their patient.

20. DHFS reimburses local county and tribal agencies for all common carrier transportation expenditures. Common carrier transportation costs include other expenses, such as hotel and meal reimbursement, when applicable, as related to transportation to a medical appointment. The counties and tribal agencies submit reports that highlight their common carrier expenditures and DHFS reimburses them. Counties and tribes are also reimbursed for their administrative expenses. The reports do not contain any information about the number of trips, costs per trip, or the type of transportation services MA recipients use.

21. According to DHFS, access to transportation is an issue in the northern part of the state, where there are currently more recipients in need of transportation than providers available to meet their needs. A broker would be required to find a way to serve recipients in these areas.

22. DHFS reports that counties also use a broad network of volunteer drivers to provide common carrier transportation. These volunteers are reimbursed for a portion or all of their mileage costs. DHFS is working to develop a comprehensive list of volunteers to provide to the broker, or brokers, to enable the broker to continue to use these volunteers.

23. While there are no transportation brokers currently operating in Wisconsin, some HMOs in the City of Milwaukee are using a similar model to deliver common carrier transportation to their members. These HMOs could bid to continue to provide these services in Milwaukee. Because very limited data is available on common carrier transportation usage, this model could be used as a proxy to estimate usage in some other parts of the state.

24. DHFS audits have shown that SMV transportation services have more potential for fraud than most MA-funded services. Program compliance audit data show that, in the 2003-05 biennium, DHFS expects to recover approximately $1.2 million from SMV providers. These recoveries result when audits of individual providers show that the provider has been reimbursed in excess of the services they actually were found to have provided. The providers are chosen for audits when their billing patterns show discrepancies. Of approximately 120 on-site audits DHFS conducted in 2004, 92 were audits of SMV providers. In addition, of the 29 referrals sent to the

Department of Justice MA fraud control unit in 2004, 19 were SMV providers. This rate of referral is not proportional to the level of expenditures for SMV transportation, which indicates an unusually high rate of non-compliance (as determined by audits) and potential fraud.

25. DHFS sent out a request for information on April 11, 2005, requesting input on issues that have arisen regarding the possibility of implementing a transportation broker system. DHFS plans to work with affected individuals and organizations, including but not limited to consumers, rural and urban county income maintenance staff, tribal staff, SMV providers, the Bureau of Milwaukee Child Welfare, the Department of Transportation, and representatives from the aging community in developing the proposal. DHFS has planned several meetings to address concerns and assist in the development of the RFP before it is issued.

26. The Department of Transportation (DOT) has expressed interest in working with DHFS in the future to implement a statewide brokerage system that would provide transportation to individuals who are eligible to receive transportation services from several state agencies. Coordinated systems serving multiple programs generally can increase the efficiency of service delivery. DOT funds transportation services for individuals who are over 55 or disabled, and they would like to see a mechanism established that would ensure more efficient local services and possibly lead to a decrease in existing unmet demand for transportation. If the broker model is effective for the MA program, it is likely that expanding the program and partnering with other state transportation programs could lead to more savings and possibly also increase access for some populations currently reporting unmet transportation needs.

27. In Wisconsin, health maintenance organizations (HMOs) provide their own transportation to MA recipients with specialized transportation needs. SMV transportation costs are part of the capitated rate HMOs receive for each participant. As a result, if DHFS decided to use a transportation broker to provide transportation services to recipients, savings would not be realized until a new capitated rate was set.

**Estimated Savings**

28. The administration assumes that this proposal would reduce total projected SMV and common carrier transportation costs by 20% in 2006-07, when DHFS will have the system fully implemented. This savings estimate was derived by examining other states' experience with reducing costs after they implemented transportation brokerage programs, ranging from 0% to 30%. Based on other states' experience, the potential to reduce unnecessary usage and create further efficiency, and indications of potential fraud in the program, this estimate appears reasonable. However, the extent to which DHFS will reduce MA transportation costs will largely depend on the specifications that DHFS includes in its RFP, the responses to the RFP, and whether DHFS can have the program fully implemented statewide by July 1, 2006, which is the agency's current plan.

29. It is estimated that, under current law, MA payments for transportation services will be approximately $39.3 million (all funds) in 2006-07, including $22.0 million for common

carrier transportation and $17.2 million for SMV transportation services. By using the administration's assumption that transportation costs could be reduced by 20% (-$7.9 million) in that year, and assuming that the state will obtain a waiver to enable DHFS to claim all of these services as medical services, rather than administrative services, it is estimated that MA costs of providing these services would decrease by $4,985,700 GPR and $2,666,500 FED in 2006-07. The current estimate reflects: (a) a larger 2006-07 base on which the 20% assumption regarding cost savings is applied ($39.3 million, rather than $33.6 million assumed in the Governor's bill); and (b) a different method of calculating the savings that would result by claiming all of these services as medical services than the administration used. Consequently, if the Committee adopts the Governor's proposal to establish a broker system for providing MA recipients transportation, MA benefits funding in the bill could be further reduced by $1,133,300 (-$1,871,400 GPR and $738,100) in 2006-07.

## ALTERNATIVES

1. Approve the Governor's recommendations to establish a brokerage system for the provision of MA transportation services. In addition, reduce MA benefits funding by $1,133,300 (-$1,871,400 GPR and $738,100 FED) in 2006-07 to reflect reestimates of the savings of this proposal.

| Alternative 1 | GPR | FED | TOTAL |
|---|---|---|---|
| **2005-07 FUNDING** (Change to Bill) | -$1,871,400 | $738,100 | **-** $1,133,300 |

2. Delete provision.

| Alternative 2 | GPR | FED | TOTAL |
|---|---|---|---|
| **2005-07 FUNDING** (Change to Bill) | $3,057,700 | $3,548,000 | $6,605,700 |

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