



Legislative Fiscal Bureau

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May 19, 2009

Joint Committee on Finance

Paper #420

MA Transportation Manager (DHS -- Medical Assistance -- General)

[LFB 2009-11 Budget Summary: Page 352, #1]

CURRENT LAW

Under federal law, state medical assistance (MA) programs are required to ensure necessary transportation for program recipients to and from MA providers, based on methods identified in the state's MA plan. Wisconsin's MA program meets that requirement by covering the non-emergency transportation services that specialized medical vehicles (SMVs) and common carriers provide to MA recipients.

SMV Transportation. The Department of Health Services (DHS) rules define an SMV as a non-emergency vehicle used to transport an MA recipient who is confined to a wheelchair or whose condition contraindicates transportation by common carrier and whose physician has prescribed SMV transportation to a facility at which the individual primarily receives medical services.

To be certified as an MA provider, Wisconsin law requires SMV operators to satisfy a number of requirements, including standards relating to vehicle equipment, maintenance, inspections, and insurance coverage. In addition, each SMV driver is required to have received first aid and CPR training. SMV operators are also required to document that all transportation services for which MA reimbursement is sought are for medical purposes only, were ordered by the attending provider of medical services, and were provided only to persons who require SMV transportation because they lack other means of transport and who are also physically or mentally incapable of using public transportation.

In some counties, SMV services are provided on a fee-for-service basis, in which case the SMV providers bill the MA program directly for those service costs. In other counties, payment for SMV services is included in HMO capitation rates. In both scenarios, the MA program claims federal reimbursement for those SMV services at the state's federal medical assistance

percentage (FMAP), which in 2008-09 was 58.94%, prior to any temporary increases under the American Recovery and Reinvestment Act of 2009 (ARRA). In fiscal year 2007-08, total SMV expenditures under the MA program were \$43,266,700 (all funds).

Common Carrier Services. Under MA program rules, "common carrier" means any mode of transportation (except an ambulance or SMV) approved by a county or tribal agency. Depending on the county or tribal agency, common carriers can include mass transit, taxis, human service vehicles, and/or private motor vehicles (including those provided by volunteers). Common carrier services are required to be the least costly means of transportation the recipient is capable of using, and which is reasonably available at the time the service is required. Under current law, costs to transport MA recipients to receive MA-covered services by common carrier are eligible for reimbursement only if the county authorizes the service.

Some counties contract with HMOs to provide common carrier services. In such cases, the HMO generally bills the county for those services, and the county submits a reimbursement claim to Wisconsin MA. Because the information counties submit to the state does not detail the number of trips, costs per trip, or the type of common carrier transportation services MA recipients use, those costs cannot be classified as MA benefit expenditures (which are eligible for a federal match at the state's FMAP), but instead are classified as administrative costs (which are eligible for a lower federal matching rate of 50%).

The process is different in Milwaukee County, where DHS contracts directly with HMOs to provide common carrier services. Milwaukee County has delegated its authority to pre-approve common carrier services to DHS, which in turn has delegated that authority to the HMOs. Reimbursement for common carrier services in Milwaukee County is included in HMO capitation rates. The MA program classifies those capitation payments as benefit costs, and claims federal matching funds for those expenditures based on the state's FMAP. In fiscal year 2007-08, total MA common carrier expenditures were \$27,656,700 (all funds).

GOVERNOR

Reduce funding by \$5,863,800 (-\$2,316,100 GPR and -\$3,547,700 FED) in 2009-10 and by \$11,781,800 (-\$4,659,300 GPR and -\$7,122,500 FED) in 2010-11 to reflect the administration's estimate of the savings that would result by contracting with a transportation manager to coordinate SMV and common carrier transportation services for MA and BadgerCare Plus recipients. The administration estimates these savings would result from efficiencies realized by the transportation manager and from additional federal matching funds the state would receive by claiming common carrier costs as MA benefit expenditures rather than as administrative costs.

In addition, the bill would repeal the current statutory requirement that counties authorize common carrier transportation services in order for those services to be eligible for reimbursement under the state's MA program.

DISCUSSION POINTS

1. The administration indicates that several modifications should be made to the funding amounts in the bill. These modifications reflect computational adjustments rather than substantive changes to the Governor's proposal. The adjustments also reflect the temporary increases to the state's FMAP as provided under ARRA. As modified, the Governor's proposal would decrease funding (relative to base) by \$2,236,500 (-\$3,177,900 GPR and \$941,400 FED) in 2009-10 and by \$4,527,200 (-\$6,070,100 GPR and \$1,542,900 FED) in 2010-11.

For the biennium, as a change to the amounts in AB 75, the modification would reduce GPR by \$2,272,600 and increase FED amounts by \$13,154,500. This is shown in Alternative 1.

2. In each of the last two biennial budgets, the administration recommended changes to the MA non-emergency transportation services program. In its 2005-07 budget recommendations, the administration proposed that DHS contract with a transportation broker in an arrangement similar to the current proposal. The Joint Committee on Finance deleted that proposal.

3. In its 2007-09 budget recommendations, the administration proposed claiming MA common carrier expenditures as benefit costs rather than administrative costs in order to claim additional federal matching funds. In connection with that proposal, DHS indicated that its data collection systems would have to be enhanced to meet the federal reporting requirements that are a prerequisite to claiming federal reimbursement at the state's FMAP. The Legislature accepted the administration's proposal, and as a result, the 2007-09 biennial budget included \$4,373,400 in GPR savings that were to be generated by claiming common carrier costs as MA benefit expenditures.

4. Citing a lack of administrative resources, DHS indicates that it has not been able to collect the information required to claim common carrier services as MA benefit costs as anticipated in the 2007-09 budget. Instead, the Department opted to move the delivery of common carrier services in some counties to HMOs, believing efficiencies would result. With the exception of Milwaukee County, as noted above, the state continues to claim common carrier services as administrative costs, and continues to receive a 50% federal match on those expenditures.

Duties of a Transportation Manager

5. According to a September 26, 2008, report prepared for the State of Maryland by the Hilltop Institute at the University of Maryland, Baltimore Campus, the duties of a transportation manager include "educating recipients about available transportation services and how to access them; verifying Medicaid eligibility status; establishing that the requested trip is eligible for the [MA benefit]; authorizing transportation and selecting least costly, most appropriate mode of transportation; establishing a network of transportation providers and coordinated transportation resources; providing transit passes/tickets, reimbursement for miles, etc.; assuring uniform quality services and access to needed health care; and tracking and reporting quality, costs, and utilization."

6. According to that same report, approximately twenty-four states use some type of transportation broker system for their MA programs' non-emergency medical transportation

(NEMT) services. As part of its study, the Hilltop Institute surveyed 10 states that utilized transportation broker systems, ranging from a single statewide system to regional and county systems.

7. In general, the surveyed states reported satisfaction with the cost savings and higher quality services achieved by their transportation manager programs. The following state summaries are taken from the Hilltop Institute report. Before Delaware implemented a statewide manager system, state MA officials estimated that annual NEMT services would near \$20 million by 2007. As a result of the "gatekeeping" and efficiencies realized by the manager's systems, the state spends between \$7 million and \$8 million per year. Mississippi implemented a statewide NEMT manager system in November, 2006. According to a legislative performance evaluation, the system saved the state approximately \$1.1 million in the last eight months of 2007, and the savings estimates for 2008 were \$4 million (a projected savings of approximately 15% of the state's 2006 NEMT costs). Utah adopted a statewide transportation manager in 2002. Utah state officials reported cost savings and high customer satisfaction as a result of the system. In Kentucky, state officials indicated that the regional transportation broker system adopted in 1998 was a cost-effective way to provide transportation services, with the potential to save millions of dollars while simultaneously increasing the quality of services. Kentucky officials also estimated that without the cost containment measures applied by the regional managers, the state's NEMT costs would have been approximately 40% higher. Washington State has used a regional broker system since 1989. In 1988, the average cost per trip was \$38. By 2001, those costs had fallen to \$17.63. Washington state officials reported that both quality and efficiency of NEMT services had increased as a result of the regional broker system.

8. The District of Columbia implemented a transportation manager in October, 2007. According to the Hilltop Institute report, the District's Inspector General criticized the manner in which the Department of Health implemented the contract, citing, among other things, the fact that the manager retained by the District had "come under scrutiny" for implementing a cost containment strategy that critics say downsized its pool of contract drivers, leaving some clients to complain that the service is too unreliable to get them to important health-care appointments. Those concerns notwithstanding, MA officials in the District continued to believe that the manager system would save money and provide safer, more reliable transportation services for clients.

9. Minnesota was not among the states surveyed by the Hilltop Institute. This office contacted the Minnesota Department of Human Services to obtain information about that state's experience with its MA transportation manager. According to the Department's transportation policy coordinator, Minnesota's NEMT manager provides several services. First, the manager provides statewide "level of need assessment" services under which the manager determines whether the MA recipient requires SMV services (referred to as STS services in Minnesota) or can use common carrier services (referred to as ATS services in Minnesota). These determinations are based on information provided by the recipient, and if necessary, the recipient's physician. According to the state policy director, these "level of need assessment" services result in a more efficient use of transportation services, as individuals who previously received STS services began receiving more appropriate, less expensive ATS services. The policy director noted, however, that

access issues arose in some rural areas of the state as STS providers chose not to provide services to MA recipients at the lower ATS reimbursement rates (combined with the limited availability of other transportation services in those rural areas).

10. Second, Minnesota's NEMT manager provides more extensive "coordination" services in an eleven-county metropolitan area. Those coordination services include many of the activities described in discussion point 5, including level of need assessments, certification of MA eligibility, establishment of a provider network, and quality control and oversight functions. For several years, the manager provided these coordination services both for ATS services and STS services. In February, 2008, STS services were removed from the manager's contract. In the months that followed, Minnesota's NEMT program witnessed an increase in the number of STS rides (relative to ATS rides), as well as increased mileage per ride. The policy coordinator attributed those increases to the curtailment of the transportation manager's responsibilities. At the present time, the manager continues to provide level of need assessment services statewide, as well as ATS coordination services in the eleven-county metropolitan area.

11. On balance, the Minnesota policy coordinator expressed positive views about the transportation manager's ability to help the NEMT program operate more efficiently and with less fraud. The policy coordinator indicated that it was difficult to attribute a precise level of savings to the manager's activities, however, because many factors affect MA transportation costs, including enrollment increases. In addition, efficiency savings were in part offset by a higher utilization of services, as MA recipients found the single point-of-contact aspect of the transportation manager system easier to access than the previous fragmented system. The future status of Minnesota's NEMT transportation manager program is currently being debated in that state's legislature.

The Administration's Transportation Manager Proposal

12. The administration believes a statewide MA transportation manager could save the State of Wisconsin money in two ways. First, the manager would enable the state to classify common carrier costs as MA benefit expenditures, and thereby claim additional federal MA matching funds. This would be possible, the administration asserts, because the transportation manager would implement the data collection systems needed to meet the federal reporting requirements for claiming federal funds at the state's FMAP. Assuming the transportation manager is in place by January 1, 2010, the administration's revised estimate projects GPR savings from this aspect of the proposal of \$2,529,900 in 2009-10, and \$4,525,800 in 2010-11 (based on the state's temporarily increased FMAP under ARRA). These estimated GPR savings do not include any projected efficiency gains in the delivery of common carrier services. Instead, they represent the substitution of GPR by FED that would result from claiming federal matching funds at the state's FMAP.

13. The second way a statewide MA transportation manager could save the state money, the administration claims, is by delivering SMV services more efficiently. The administration believes the manager could achieve those efficiencies through a combination of the coordination services described above, including level of need assessments, verification of MA eligibility, and

enhanced tracking and quality control capabilities. Based on the savings reported by other states, including those surveyed in the Hilltop Institute report, the administration estimates that where counties currently provide SMV services directly, a transportation manager could reduce SMV costs by 20%. In counties that currently contract with an HMO to provide SMV services, the administration estimates the manager could reduce SMV costs by 10% (based on the assumption that the HMO will have already achieved some efficiency in the delivery of those services). Under the administration's proposal, managed care organizations, including HMOs, would no longer provide SMV services under the MA program, with the exception of the Family Care and PACE Partnership programs, where the existing managed care organizations will continue to coordinate all services for program enrollees, including transportation services.

14. The administration has indicated that the savings reflected in its proposal, as modified, are net of any fees paid to the transportation manager. The administration based that assumption on its understanding of the net savings achieved by other states. DHS is currently considering several options with respect to the manager's reimbursement, including a capitated rate based on enrollment, a flat per-trip rate, a fixed contractual amount, or a combination of some or all of these options. It is anticipated that final details would be addressed in the RFP.

15. The Governor's recommendation also includes funding for a project manager position within DHS who would be responsible for the entire project, including developing the RFP, negotiating the contract, establishing advisory groups, and implementing and monitoring the delivery of services. The bill would provide \$63,000 (\$31,500 GPR and \$31,500 FED) in 2009-10 and \$71,800 (\$35,900 GPR and \$35,900 FED) in 2010-11 to support the position.

16. This office has communicated with the Specialized Medical Vehicle Association of Wisconsin, which opposes the Governor's proposal. According to the Association, the reimbursement rates currently paid by the Wisconsin MA program have already harmed the state's SMV system, as witnessed by a decline in the number of SMV providers from 318 in 1997 to 157 in 2008. The Association fears that the large funding reductions in AB 75 (reductions that should be modified, based on reestimates discussed in discussion point 1) will inevitably lead to reimbursement rate reductions and a continued exodus of SMV providers from the business. According to the Association, this will exacerbate the access problems that already exist, especially in rural areas where there are few other transportation options. The Department responds to the Association's concerns by indicating that the savings projected in the bill are not predicated on reimbursement rate cuts, but instead are based on the assumption that the transportation manager will achieve savings by operating the system more efficiently and with less fraud, and by enabling the state to claim additional federal MA matching funds.

17. The Wisconsin Counties Association (WCA) has also expressed concerns about the Governor's proposal. While agreeing that a statewide transportation manager holds promise, WCA believes a great deal more planning and coordination between the state and the counties is needed before the program could be implemented in Wisconsin. Specifically, WCA indicated that counties required more time to implement the training required to make such a program work, and to ensure that recipients, particularly in rural counties, will have access to needed services. WCA is also

concerned about how a statewide transportation manager would impact the network of common carrier providers (including volunteers) that counties currently rely on to provide services to MA recipients and other county residents.

18. The Committee could decide to accept the Governor's recommendation, as modified, to implement a statewide MA transportation manager beginning January 1, 2010 (Alternative 1). Based on the savings other states have achieved, the Committee could conclude that the administration's savings estimates are realistic, if not somewhat conservative. For example, the administration has not assumed any savings (aside from the substitution of GPR with FED) with respect to common carriers, even though the transportation manager would be coordinating those services. The Committee could also determine that the time period between the bill's enactment and January 1, 2010, will be sufficient to enable the state, the counties, and the transportation manager to resolve the necessary operational details.

19. If the Committee accepts the Governor's proposal as modified, it could also decide to require DHS to submit a report to the Committee no later than January 31, 2011, that would analyze the following issues: (a) whether, through December 31, 2010, the manager had achieved savings and/or other efficiencies in the delivery of MA transportation services; (b) whether the manager helped enable the state to claim additional federal matching dollars for common carrier services, as assumed under the bill; (c) the fees paid to the manager; and (d) how the statewide MA transportation manager program impacted recipients' access to services (Alternative 2).

20. The Committee could also decide to delete the proposal, based on the concerns expressed by SMV providers, and WCA, as outlined above (Alternative 3).

ALTERNATIVES

1. Adopt the Governor's modified recommendation to retain a statewide MA transportation manager, and to repeal the current statutory requirement that counties authorize common carrier transportation services in order for those services to be eligible for reimbursement under the MA program. Increase funding in the bill by \$3,627,300 (-\$861,800 GPR and \$4,489,100 FED) in 2009-10 and by \$7,254,600 (-\$1,410,800 GPR and \$8,665,400 FED) in 2010-11.

ALT 1	Change to Bill Funding
GPR	- \$2,272,600
FED	<u>13,154,500</u>
Total	\$10,881,900

2. In addition to adopting the Governor's modified recommendation as presented in Alternative 1, require DHS to provide the Committee a report, no later than January 31, 2011, that analyzes the following aspects of the transportation manager program: (a) whether, through December 31, 2010, the manager had achieved savings and/or other efficiencies in the delivery of

MA transportation services; (b) whether the manager helped enable the state to claim additional federal matching dollars for common carrier services, as assumed under the bill; (c) the fees paid to the manager; and (d) how the statewide MA transportation manager program impacted recipients' access to services.

3. Delete the provision. Increase funding in the bill by \$5,863,800 (\$2,316,100 GPR and \$3,547,700 FED) in 2009-10 and by \$11,781,800 (\$4,659,300 GPR and \$7,122,500 FED) in 2010-11.

ALT 3	Change to Bill Funding
GPR	\$6,975,400
FED	<u>10,670,200</u>
Total	\$17,645,600

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