



# Memorandum

Date . DEC - 4 1996  
From Deputy Inspector General  
for Audit Services

Subject Office of Inspector General's Partnership Plan-Transportation Services for Montana's  
Medicaid Program (A-06-96-00073)

To Bruce C. Vladeck  
Administrator  
Health Care Financing Administration

We are transmitting for your information and use, the attached final report on an audit of the Transportation Services for Montana's Medicaid Program for State Fiscal Years (FY) 1994 and 1995. This review was conducted by the Montana Legislative Auditor (MLA). The objective of the review was to determine if the Department of Public Health and Human Services' (Department) controls in place ensured that the payments for transportation services were necessary and reasonable.

This work was conducted as part of our partnership efforts with State Auditors to expand audit coverage of the Medicaid program. As part of the review, the Office of Audit Services assisted the MLA by providing technical support through the Medicaid Partnership Plan. In addition, we have performed sufficient work to satisfy ourselves that the attached MLA report can be relied upon and used by the Health Care Financing Administration in meeting its program oversight responsibilities.

The MLA determined that the controls in place appear effective to assure that the payments for transportation services are necessary and reasonable but several improvements were identified which could further strengthen the control system.

The MLA recommended that the Department strengthen controls by (1) clarifying program monitoring contract requirements, (2) clearly delineating county program involvement and, (3) developing a method of recipient reimbursement in compliance with all statutes and regulations. The Department concurs with the recommendations.

As we do with all audit reports developed by nonfederal auditors, we have provided as an attachment a listing of the coded recommendations for your staff's use in working with the State to resolve findings and recommendations through our stewardship report. Attachment A provides a summary of the recommendations.

Page 2 - Bruce C. Vladeck

We plan to share this report with other States to encourage their participation in our partnership efforts. If you have any questions about this review, please let me know or have your staff contact George M. Reeb, Assistant Inspector General for Health Care Financing Audits, at (410) 786-7104.

  
Thomas D. Roslewicz

Attachment

<u>Recommendation Codes</u>	<u>Page</u>	<u>Amount</u>	<u>Resolution Agency</u>	<u>Recommendations</u>
212925101	6	N/A	HCFA	The Department should strengthen controls by clarifying program monitoring contract requirements.
074925101	6	N/A	HCFA	The Department should strengthen controls by clearly delineating county program involvement.
322908101	6	N/A	HCFA	The Department should strengthen controls by developing a method of recipient reimbursement in compliance with all statutes and regulations.

# **Legislative Audit Division**

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State of Montana



Report to the Legislature

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September 1996

## **Limited Scope Review**

**Medicaid Partnership Plan**

### **Transportation Services for Montana Medicaid Program**

**Department of Public Health & Human Services**

**This report discusses department procedures for assuring only reasonable and necessary travel costs are provided. Steps for strengthening this control system are also discussed.**

**Direct comments/inquiries to:  
Legislative Audit Division  
Room 135 State Capitol  
PO Box 201705  
Helena MT 59620-1705**

**96P-11**

## **LIMITED SCOPE REVIEW**

This limited scope study was a joint project performed by performance audit staff to look for cost savings opportunities in the state's Medicaid system. This review also utilized technical support from federal audit personnel made available through the Medicaid Partnership Plan.

Legislative Audit Division  
Room 135 State Capitol  
PO Box 201705  
Helena MT 59620-1705

### **MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE**

Senator Greg Jergeson, Vice Chairman  
Senator Sue Bartlett  
Senator Reiny Jabs  
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Senator Ken Miller  
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Representative Beverly Barnhart  
Representative A. R. "Toni" Hagener  
Representative Bob Keenan  
Representative Robert Pavlovich  
Representative Bruce Simon

Members of the audit staff involved in this audit were Angie Grove and Jim Pellegrini.

September 1996

The Legislative Audit Committee  
of the Montana State Legislature:

This is our limited scope review of Department of Public Health and Human Services transportation services provided under the Montana Medicaid program. The report identifies steps the department has taken to contain costs in this program and areas where additional steps could be taken to strengthen existing controls. The department's written response is included beginning on page 9.

I would like to thank the department director and his staff for their assistance and cooperation during our review.

Respectfully submitted,



Scott A. Seacat  
Legislative Auditor

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### **Appointed and Administrative Officials**

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<b>Department of Public Health &amp; Human Services</b>	Peter Blouke, Director
	Nancy Ellery, Administrator, Medicaid Services Division
	Mary Dalton, Chief, Primary Care Bureau

# Transportation Services for Montana Medicaid Program

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## Introduction

We performed a limited scope review of the controls in place over transportation services provided through the Montana Medicaid program. The Medicaid program is administered by the Department of Public Health and Human Services (department).

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## Objectives

Our primary objective was to identify the controls in place to ensure payments for transportation services are necessary and reasonable. We conducted this review in cooperation with federal auditors who provided technical support to us under the Medicaid Partnership Plan. The Partnership Plan outlines suggested federal and state joint audits of the Medicaid program which have saved money in other states.

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## Scope

The scope of this review was limited to examining the department's controls over Medicaid transportation expenditures and the procedures used to verify requested services were reasonable and necessary for program recipients. We did not review all expenditures for transportation services, nor did we examine transactions to the extent necessary to identify all unnecessary costs or all methods used by the department to provide these services. Our review was conducted in accordance with applicable Government Audit Standards.

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## Background

The Medicaid program, administered under federal regulations, serves persons who qualify for financial and medical assistance. This program is administered by the Medicaid Services Bureau within the Department of Public Health and Human Services. The program mission is to ensure Montana's low-income residents have access to medical care at a cost which is equitable to both the provider of the service and the taxpayer.

Total Medicaid funding includes General Fund, state Special Revenue, and federal funds. State Special Revenue is property tax revenue from the 12 state-assumed counties, nursing home bed taxes, and donations. County funds supply part of the state match for Medicaid benefits. Total program expenditures for

## **Transportation Services for Montana Medicaid Program**

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transportation and per diem services for Medicaid recipients were approximately \$2 million for each of the past two years. This does not include program administration costs.

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### **Montana Transportation Program**

The Montana Medicaid program pays for transportation to and from necessary medical services for eligible persons. Allowed transportation services include travel, such as a wheelchair van, ambulance, commercial taxi service, commercial bus, commercial or private air, and personal car mileage. Travel is limited to the nearest provider and the least costly means available suitable to patient medical needs. In addition to transportation services the program pays per diem costs for meals and lodging. Prior authorization from the department is required for reimbursement for non-emergency transportation services. Reimbursement is made to a third party chosen by the recipient. Emergency services are reviewed retroactively prior to claim payment.

The department will pay the lowest of the following rates for transportation services:

- the provider's actual submitted charge; or,
- the department's fees as detailed in the ARMs.

The rates prescribed in the ARMs establish maximum fees for commercial transportation including taxi and limousine services less than 16 miles, rates for trips over 16 miles, and a per mile allowance for personal car mileage. Allowed per diem rates are also outlined in the ARMs and include:

Breakfast	\$ 2.75
Lunch	3.30
Dinner	6.60

The maximum allowed per diem amount is \$22.44. This includes per diem and lodging allowances.

## **Transportation Services for Montana Medicaid Program**

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### **Program Administration**

In September 1994, the department contracted with a private company to develop and operate a Medicaid transportation management system. Assigned responsibilities included coordinating and prior-authorizing all modes of non-emergency medical travel. A toll free hotline is available 24 hours a day to obtain authorization for services. Retroactive reviews of all emergency transport services prior to payment are also prescribed contract duties. Stated department goals for implementing this contract included improving access to medical care, standardizing statewide policies and procedures, identifying areas of abuse by clients and providers, and ensuring federal and state compliance. The duration of the contract is September 1, 1994 through August 31, 1996, with an option to extend up to an additional two year period if contract requirements are met.

Annual contract costs are currently \$344,346. Costs are based on the number of eligible Medicaid recipients in the previous month. Average contract costs are approximately \$.31 per eligible recipient per month.

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### **Controls Currently in Place**

To ensure approved services are reasonable and necessary, the department and the contractor have developed several control methods. The contractor verifies a number of travel requests by checking with the designated health care providers and in some cases follow-up calls are placed to ensure appointments are actually attended. In addition, the contractor has formalized mileage between Montana towns and cities to standardize payment amounts. The department has also established ceilings for payment to commercial vendors to prevent inconsistencies. Reconciliation of payments made through the counties are also conducted within the Fiscal Bureau at the department.

Medically necessary services are defined in ARM, Title 46, chapter 12, subchapters 5,7,8, 9, and 20. In addition, the contractor has a physician review all emergency ambulance claims to determine if the service is medically necessary and reasonable.

# **Transportation Services for Montana Medicaid Program**

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## **Program Trends**

To evaluate contract effectiveness and determine program trends, the department compiled program data on Medicaid transportation services for the past two and half fiscal years. In this analysis, it was noted transportation claims appear to be cyclical in nature, with low utilization in the first quarter each year and highest utilization in the second quarter.

Expenditures are highest for personal mileage reimbursement, which is the least expensive form of transportation. Ambulance expenditures are the next highest expenditure category, but expenses have declined since the implementation of the contract. The contractor focused on ambulance utilization to determine if a medical need existed to utilize this type of transportation.

Commercial carriers, such as taxi, bus, rail, and air showed a significant increase in the second quarter of fiscal year 1995 leveling off in the rest of the year. The department placed a payment rate ceiling on commercial taxi rates in the third quarter of 1995 due to dramatic increases in that area. This resulted in slight decreases in that category in later periods. Overall, growth is fairly flat in comparison with other Medicaid services.

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## **Are Controls Effective?**

As noted earlier, a system of controls is in place to increase assurance transportation expenditures are reasonable and necessary. These controls include verification of appointments, prior authorization of services, formalized payment ceilings to reduce over charges, etc. Based on this audit testing, we concluded controls in place appear effective but several improvements were identified which could further strengthen the control system.

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## **Contract Requirements**

Although both the contractor and department staff indicated a sample of appointments are verified prior to payment for transportation services, the written contract does not include this requirement. The percentage of claims to be verified is not specified and differences were noted in the number indicated by the department and by contract staff. Department staff indicated 25 percent of the appointments are being verified, contractor staff

## **Transportation Services for Montana Medicaid Program**

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indicated 10 to 15 percent of the appointments are verified. The department should specify in the contract the verification rate to ensure the level of program monitoring is adequate.

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### **County Involvement**

One of the primary goals of contracting with a private entity for administering this program was to minimize county staff involvement. Prior to the contract, county staff reported they were spending approximately 960 hours per month to administer transportation services. In order to develop statewide consistency and devote county resources in other critical areas, the department shifted duties to the contractor. The contract has not been entirely successful in achieving this goal. Interviews with contractor and department staff have indicated county staff still spend considerable time administering these services and each county still follows differing criteria. For example, one county will only pay an amount equal to a bus ticket, but other counties will approve any expenditure. This creates inconsistencies and conflicts with the program mission of ensuring access to all Medicaid participants eligible for necessary services.

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### **Federal Reimbursement Rates**

Medicaid transportation services are funded through a combination of state and federal funds. The level of federal funds contributed to the state is determined by whether an expenditure is a medical expense or an administrative cost. Seventy percent of medical expenses are reimbursed through federal funding, while only 50 percent of administrative expenses are reimbursed. To ensure a higher federal reimbursement rate by the state, reimbursement checks have primarily been written to a third party. In some cases this results in a check sent to a person who has not transported the recipient. Checks issued to third party vendors result in a 70 percent federal reimbursement rate because the payment is then classified as an expense for program benefits. Checks issued directly to recipients would be considered an administrative expense and are reimbursed at a 50 percent rate. Although current department procedures ultimately require less state funding, the current procedure results in program noncompliance with federal statute 42 CFR 440.170(a).

# **Transportation Services for Montana Medicaid Program**

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## **Summary**

To strengthen controls over this program the department should take steps to address these areas. Recently steps to address these areas have been taken by the Medicaid Transportation Committee. This committee, comprised of department and county staff, has made recommendations in several areas to improve controls and address program inefficiencies. Recommendations have been made to address county involvement and federal reimbursement noncompliance.

### **Recommendation #1**

**We recommend the department strengthen controls by:**

- A. Clarifying program monitoring contract requirements.**
- B. Clearly delineating county program involvement.**
- C. Developing a method of recipient reimbursement in compliance with all statutes and regulations.**

# Agency Response

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DEPARTMENT OF  
PUBLIC HEALTH AND HUMAN SERVICES  
HEALTH POLICY & SERVICES DIVISION



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STATE OF MONTANA

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August 21, 1996

AUG 22 1996

Jim Pellegrini, Deputy Legislative Auditor  
Legislative Audit Division  
Room 135, State Capitol Building  
Helena, MT 59601

Subject: Medicaid Transportation Services and Delivery System for Drugs

Dear Mr. Pellegrini:

Enclosed are the Department's responses to the recommendations pertaining to the Medicaid delivery system for drugs and Medicaid transportation services..

The Department concurs with the recommendations. The report and recommendations support the Department's efforts in efficiently managing these programs.

Thank you for your review.

Sincerely,

A handwritten signature in cursive script that reads "Michael J. Billings for".

Peter Blouke, Ph.D.  
Director

Enclosures

cc Nancy Ellery

## **MEDICAID TRANSPORTATION SERVICES**

### **RECOMMENDATION #1A**

#### **Agency Response:**

The department concurs that the contract requirements should specify the percentage of appointments verified. During the course of this audit, the department issued a new request for proposals (RFP). The contract requirement to specify the percentage of appointments verified was placed in the new RFP on Page 16 (#26 attached). This requirement is one of many that will be made to strengthen the controls in place for the successful bidder. The requirement specified in the RFP is that all appointments be confirmed. Review of the proposals may indicate that this high of a percentage is not cost effective. If the percentage is negotiated at a lower amount, the contract will indicate the modification to insure that the requirement is clear.

### **RECOMMENDATION #1B**

#### **Agency Response:**

The department will take steps to insure that the roles of the county and the contractor are delineated and that inconsistencies and conflicts are minimized. While this contract has not been entirely successful in achieving this goal, the department believes that this contract has given us a foundation to build upon to insure that Medicaid clients are not limited access to medical appointments because of transportation and that the transportation program as a whole is efficient and effective.

### **RECOMMENDATION #1C**

#### **Agency Response:**

The department concurs with this recommendation. Steps will be taken to ensure that the payments for personal vehicle mileage and per diem are being made within federal guidelines. The department will review this policy with the Health Care Financing Administration and if it is determined to be out of compliance with federal regulations, the department will make changes to ensure compliance. The department will continue to maximize the use of federal funding.

MEDICAID TRANSPORTATION MANAGEMENT

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requested to submit a narrative on how it proposes to conduct this service, and include a separate cost breakout.

This service is an optional add-on, which the State of Montana may choose to contract if budget constraints allow and a suitable response on how the service will be conducted is received. Respondents proposing subcontracting of this service must identify the entity it intends to utilize.

The State of Montana reserves the right to contract this service separately from the balance of the contract requirements set forth herein. Reference Section 601.1, Part 4.

24. When an error or necessity to change an unpaid travel authorization occurs, the contractor must correct it and notify the recipient and/or provider within twenty-four (24) hours. If such volume or circumstances exists that this can not be accomplished within twenty-four (24) hours, contact the Department liaison and explain the circumstances and plan of corrective action.
25. All complaints and corrective actions to such complaints are to be recorded and all recordings maintained by the contractor. Develop internal controls which allow the Contractor to identify the origin of errors, corrective measure applied and ensure there are no repeat occurrences.

This information is to be available at all times to the Department liaison.

26. Confirm medical appointments were made and kept for each request for assistance with travel.

Verify via the medical provider that appointments were kept for 100 % of the cases. This is a likely task for AWEPP personnel. Refer to #13 above.

In the case of multiple medical appointments in one travel authorization, a name will appear on more than one log and should be checked periodically or at the end of the authorization period.

27. When a decision made by the contractor is in dispute, the contractor will attempt to resolve the issue with the recipient and/or provider.

If the issue is not resolved and the Department must be involved, the contractor must provide the Department liaison with copies of all documents pertaining to the case. This includes a copy of all notices sent to the provider and/or recipient which explains