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Report to the Governor and the General Assembly of Virginia

Performance and Pricing of Medicaid Non-Emergency Transportation

2015

JLARC
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION

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COMMONWEALTH of VIRGINIA

Joint Legislative Audit and Review Commission
201 North 9th Street, General Assembly Building, Suite 1100
Richmond, Virginia 23219

Hal E. Greer
Director

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April 7, 2016

The Honorable John C. Watkins, Chair
Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia 23219

Dear Senator Watkins:

In 2015, the General Assembly directed the Joint Legislative Audit and Review Commission (JLARC) to review Virginia's Medicaid program (HJ637 and SJ268). As part of this study, the report *Performance and Pricing of Medicaid Non-Emergency Transportation* was briefed to the Commission and authorized for printing on December 14, 2015.

On behalf of Commission staff, I would like to express appreciation for the cooperation and assistance of the staff of the Department of Medical Assistance Services.

Sincerely,

Hal E. Greer
Director

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Summary

Performance and Pricing of Medicaid Non-Emergency Transportation

WHAT WE FOUND

Non-emergency transportation performance improved temporarily following adoption of new standards but declined recently

The state's non-emergency medical transportation (NEMT) performance temporarily improved after the implementation of new standards in October 2011, but subsequently declined across three critical measures since January 2014. These include a rise in complaints (most of which are due to late trips), unfulfilled trips, and late pick-ups upon hospital discharge. Increasing numbers of late and unfulfilled trips can put some of the most vulnerable Medicaid recipients at risk. The most common users of NEMT services are intellectually or developmentally disabled recipients.

NEMT rate-setting process does not protect interests of state and Medicaid recipients by ensuring that rates reflect costs

Virginia's NEMT rate-setting process increases risk to the state, Medicaid recipients, and the broker because it does not ensure that contractually established rates reflect the cost of providing transportation services. NEMT rates were set in October 2011 for the entire contract period (up to six years), so changes in the number and cost of actual trips would have resulted in differences between actual costs incurred and the capitated rates. Overpaying for services increases costs to the state and federal governments, while underpaying puts financial pressure on the broker and providers, potentially negatively impacting performance. The state lacks reliable, independently verified data to establish rates that appropriately reflect costs. The current process also significantly limits the state's leverage over negotiations if rates need to be changed, and there are currently no alternative options for providing required NEMT services in the short term.

WHY WE DID THIS STUDY

The General Assembly directed JLARC to assess the cost-effectiveness of Medicaid non-emergency medical transportation in Virginia. Interest in this topic was prompted by concerns that poor performance could leave medically fragile Medicaid recipients vulnerable to missed appointments and reduce access to necessary health care.

ABOUT NON-EMERGENCY MEDICAL TRANSPORTATION

Non-emergency medical transportation is a federally mandated service for Medicaid enrollees who have no other means of transportation to their health care provider. The service ensures that transportation is not a barrier to receiving appropriate health care for Medicaid enrollees. Virginia contracts with a statewide broker to provide non-emergency medical transportation to the fee-for-service Medicaid population. The state spent $78 million to provide over four million trips to over 20,000 riders in FY 2015.

WHAT WE RECOMMEND

Executive action

- DMAS should implement new contractual performance standards requiring on-time drop-off for critical care appointments.
- DMAS should require the broker to utilize a statewide GPS-enabled routing and tracking system, if it is cost-effective.
- DMAS should establish capitated rates annually using reliable, independently validated cost data.
- DMAS should have a new NEMT contract in place no later than January 1, 2016, to implement the recommended contractual and rate-setting changes.

The complete list of recommendations is available on page iii.

Recommendations

Performance and Pricing of Medicaid Non-Emergency Transportation

RECOMMENDATION 1

The Department of Medical Assistance Services should include in its next non-emergency medical transportation services contract a provision directing the transportation broker to require backup drivers for providers with consistently higher than average complaint rates (page 11).

RECOMMENDATION 2

The Department of Medical Assistance Services should include in its next non-emergency medical transportation services contract provisions addressing the following performance standards: (i) that patients be dropped off no more than 15 minutes late for all dialysis, chemotherapy, and critical care appointments; and (ii) that patients with same-day non-emergency urgent care needs be picked up within three hours of the request (page 12).

RECOMMENDATION 3

The Department of Medical Assistance Services should assess the cost-effectiveness of requiring the transportation broker to utilize a statewide GPS-enabled routing and tracking system. If such a system is projected to be cost effective, the Department of Medical Assistance Services should include such a requirement in its next non-emergency medical transportation services contract (page 13).

RECOMMENDATION 4

The Department of Medical Assistance Services should establish capitated rates for its non-emergency medical transportation services contract every year, rather than only at the beginning of a new contract (page 16).

RECOMMENDATION 5

The Department of Medical Assistance Services should include in its next non-emergency medical transportation services contract a provision establishing a financial risk corridor that limits the monthly profit and loss of the transportation broker (page 16).

RECOMMENDATION 6

The Department of Medical Assistance Services should include in its next non-emergency medical transportation services contract a provision requiring the broker to provide trip-level and administrative cost data that can be independently verified for purposes of annual rate setting and financial risk corridor payment adjustments (page 17).

RECOMMENDATION 7

The Department of Medical Assistance Services should issue a request for proposals for statewide non-emergency medical transportation services as soon as reliable rate-setting data is available, so that a new contract can be in place before January 1, 2017 (page 17).

Performance and Pricing of Medicaid Non-Emergency Transportation

In 2015 the General Assembly directed the Joint Legislative Audit and Review Commission (JLARC) to review Virginia's Medicaid program (Appendix A). The Commission requested that a review of the quality and cost of Virginia's non-emergency medical transportation (NEMT) services be included as part of the study. This report presents JLARC's findings and recommendations to improve the quality of NEMT services in Virginia's Medicaid program and ensure that the state is not overpaying for those services. Recommendations are intended to inform the procurement efforts of DMAS as their current contract for NEMT services expires. (See Appendix B for more on the research methods used in this study.) JLARC's related research on Virginia's Medicaid program includes a report on eligibility determination, which was released in November 2015, and a review of Medicaid cost-effectiveness, which will be released in fall 2016.

NEMT services are available to all Medicaid enrollees

NEMT is defined as non-emergency, medically necessary transportation for enrollees that ensures reasonable access to and from Medicaid-covered services. Virginia contracts with a statewide broker to provide NEMT to the fee-for-service Medicaid population. In contract year 2015 (October 2014–September 2015), the state spent $77.8 million (one percent of the Medicaid budget) to provide over four million NEMT trips to about 20,000 riders.

NEMT provides enrollees with transportation to non-emergency Medicaid services

States are required by federal regulation to provide transportation to non-emergency Medicaid-funded services for enrollees with no other means of transportation. Vehicles used for NEMT include taxi, public transportation, wheelchair van, stretcher van, and ambulance, depending upon the level of medical need for each recipient.

In Virginia, NEMT services are provided through both the fee-for-service and the managed care delivery systems. The state contracts directly with a private transportation broker for fee-for-service NEMT services, whereas the managed care organizations are responsible for providing NEMT services to Medicaid enrollees in their plan. The fee-for-service population includes primarily aged and disabled enrollees who use more NEMT services than the families and children enrolled in managed care. This report focuses exclusively on NEMT services provided through the fee-for-service system, which is directly within the state's control.

An **NEMT trip** is each "leg" of a trip that is provided to an eligible Medicaid recipient. For example, when a recipient is transported to a doctor's appointment and then back home, that is counted as two trips.

Virginia uses a statewide private NEMT broker

DMAS provides NEMT services for the fee-for-service Medicaid population through a contract with LogistiCare, a transportation broker. LogistiCare is responsible for maintaining a network of transportation providers and managing all aspects of NEMT services. The company has been the statewide fee-for-service NEMT broker for Virginia since 2002, covering the entire state across seven regions. At least 17 other states use a private NEMT broker, some with a statewide contract and others with multiple regional contracts. Other states use public transportation brokers (state and local governments) or a mix of private, nonprofit, and public transportation brokers.

The **current contract with LogistiCare** is for a three-year base period starting October 2011, after which DMAS has the option to extend the contract for one additional year three times.

DMAS exercised this option once in September 2014. The option could not be exercised as planned in September 2015 due to disagreements over rate increases, and DMAS operated on month-to-month extensions in October and November 2015.

As of December 2015, DMAS is working to negotiate a longer-term extension of the contract.

There are few private NEMT brokers in the marketplace, which limits competition and diminishes the state's leverage during the contracting process. This is due in large part to the challenging and complex nature of the work. Virginia's NEMT broker must assign and schedule trips, operate a statewide call center, address complaints and provider performance issues, maintain a database with trip-level data, and subcontract with more than 300 local transportation providers. The need for extensive infrastructure to perform these functions reduces the number of potential vendors. (DMAS only received two viable bids for the last NEMT contract solicitation.) The state's leverage is diminished even further when dealing with contract extension deadlines because there is no other short-term alternative to provide required NEMT services.

One percent of the Medicaid budget spent to provide over four million NEMT trips for almost 20,000 riders each year

Virginia spent about one percent ($77.8 million) of the Medicaid budget on fee-for-service NEMT in contract year 2015. This amounts to an average of $24 per enrollee per month or about $19 per trip (Table 1-1). NEMT spending was relatively stable during the three-year contract period spanning 2012 to 2014, but increased by about eight percent from contract year 2014 to 2015. NEMT spending is driven by the per-person capitated rates agreed upon at the beginning of the contract and the actual number of Medicaid enrollees. At the request of LogistiCare, Virginia entered into rate renegotiations and increased NEMT rates for the 2015 contract year to more accurately reflect the cost of providing NEMT services.

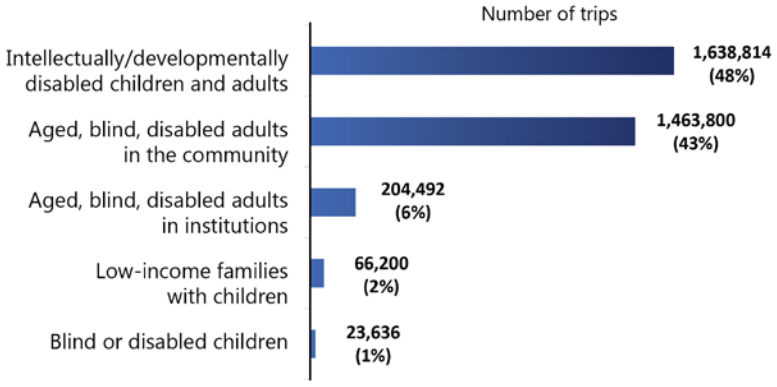
TABLE 1-1
Virginia NEMT spending increased in contract year 2015

Contract year	2012	2013	2014	2015
Total spending*	$73,219,556	$70,235,752	$71,894,622	$77,796,030
Number of trips	4,119,582	4,176,261	4,325,112	4,108,064
Average cost per trip	$17.78	$16.82	$16.62	$18.94

Source: JLARC staff analysis of DMAS NEMT monthly reports.
*Before deducting performance-related fines.

Virginia provides an average of 342,000 NEMT trips to almost 20,000 riders each month. Those riders are just 7.4 percent of the 270,000 Medicaid enrollees who are eligible for fee-for-service NEMT services. Most trips are for recipients who are intellectually or developmentally disabled, or aged, blind, or physically disabled (Figure 1-1).

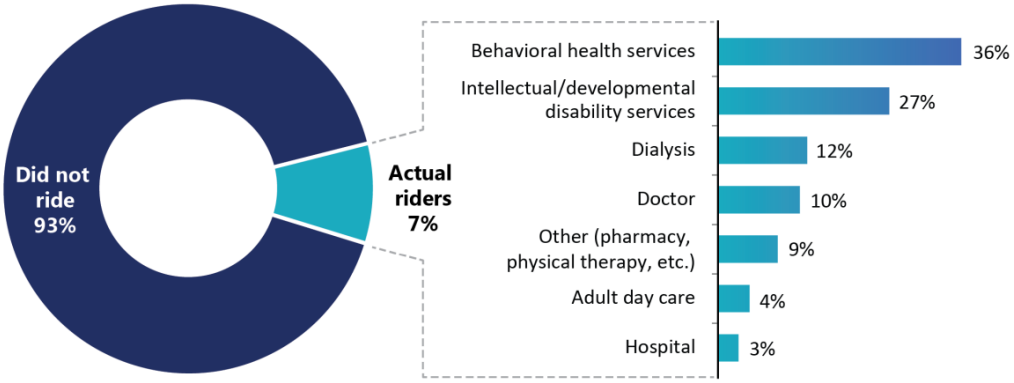
FIGURE 1-1
Most trips taken by individuals with an intellectual or developmental disability, adults with a physical disability, and the elderly (2014)



Source: Agreed-upon procedures related to Virginia Non-Emergency Transportation contract October 1, 2011, through March 31, 2014, Meyers and Stauffer report, August 2014.

These riders used NEMT to get to and from a variety of Medicaid-funded services. Over half of the trips (63 percent) were for behavioral health or intellectual and developmental disability services, which are typically recurrent daily services such as day programs and vocational services. Dialysis appointments were the third most common destination, accounting for 12 percent of all NEMT trips (Figure 1-2). Virginia's NEMT broker is required to use the lowest cost form of transportation based on the recipients' needs. Most trips utilize taxis, vans, or public transportation (81 percent), while a minority of trips (19 percent) require an ambulance or wheelchair van.

FIGURE 1-2
Less than 10 percent of eligible Medicaid enrollees used NEMT (2015)



Source: JLARC staff analysis of NEMT monthly reports submitted to DMAS for contract year 2015.
Note: Percentage of enrollees who used NEMT, based on average monthly data in 2015. Behavioral health services include facilities that provide intellectual disability services and mental health services.

Virginia's NEMT broker performance standards appear rigorous compared to other states

Virginia measures the NEMT broker's performance with a set of standards that are assessed monthly, with financial penalties imposed for unmet performance standards. These standards cover a wide range of NEMT performance, including promptness, trip fulfillment, call center operations, and safety. DMAS periodically adjusted and added several new NEMT standards since 2012, when a new contract was signed, to address performance-related issues (Table 1-2). One standard related to unfulfilled trips was inadvertently removed from the performance measures in October 2014. DMAS expects to restore this standard when the 2016 contract extension with LogistiCare is finalized. As of December 2015, LogistiCare had been operating under one-month extensions since October 2015.

TABLE 1-2
DMAS has adjusted NEMT standards to address performance issues

2012 (Initial standards)	Complaint rate (<1%) Call abandonment (<5%) Call wait time (<180 seconds) Call answer (<5 rings) Provider reimbursement (<30 days) Vehicle inspections (100%) Alternative transportation (>20% of all trips alternative)
2013	Reduced complaint rate (<0.85%) Added unfulfilled trips rate (<0.25%)
2014	No significant changes
2015	Added hospital discharges (>95% picked up within 3 hours) Added incident-accident reporting (<24 hours with injury, <48 hours without) Added staffing replacement (fill critical vacancies in 90 days or less) Added annual satisfaction survey (customer satisfaction must increase) Removed unfulfilled trips (in error)

Source: JLARC staff analysis of DMAS NEMT contract documents.

Eight comparison states were selected based on their use of a private NEMT broker, their size, and whether or not they included a large metro area comparable to northern Virginia.

Virginia's performance standards appear rigorous relative to other states that employ a similar NEMT broker model (sidebar). Compared to these seven states and Washington, D.C., Virginia holds its broker financially accountable for as many or more standards than all but two of the other states (Figure 1-3). For example, Virginia is one of only three states with a standard for hospital discharges. The level of performance that Virginia expects its broker to achieve is also high compared to other states, but not out of line or unrealistic. (See Appendix C for additional detail on performance standards.)

FIGURE 1-3
Types and number of performance standards appear rigorous compared to other states

	Call center	Complaint rate	Incidents accidents	Unfulfilled trip rate	Ride duration	Hospital discharge	Urgent care	Back-up vehicle
Virginia	!	!	!	E	!	!		
Texas	!	!	!	!		!	!	!
DC	!	E	!	E	!		!	!
Georgia	!	!		E	!		!	!
Wisconsin	!	!	!	E	!	!	!	
Washington	!	E	!	!	!	E	E	
Connecticut	!	E	!	E	!			
New Jersey	!	!		!				
Iowa	!	E		E				

!= Performance standard with fines **E= No fines but performance monitored**

Source: JLARC staff analysis of the NEMT contract or request for proposal from each state.

NEMT performance improved temporarily but recently declined on critical measures

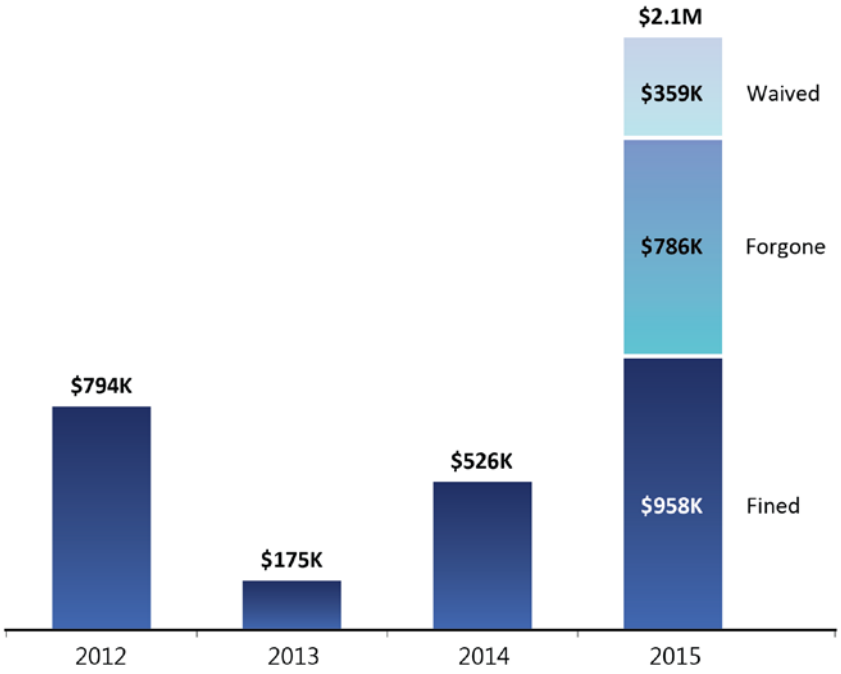
Virginia's NEMT performance improved in 2013 following the start of a new contract in October 2011 and the addition of several performance standards. However, performance declined recently across three critical measures: complaints, unfulfilled trips, and late pick-ups upon hospital discharge. NEMT performance could be improved through contract modifications and increased use of technology.

NEMT broker failed to meet an increasing number of performance standards in recent months

LogistiCare's performance had been improving since new standards were established for contract year 2012, but recent trends suggest a decline in several areas. Since the beginning of contract year 2014, LogistiCare failed to meet at least one performance standard per month, on average. LogistiCare had particular difficulty meeting the unfulfilled trips and hospital discharge standards. The complaint rate also worsened during this time period, which caused LogistiCare to miss this performance standard three times in 2015.

As performance declined, LogistiCare was subject to more financial penalties (Figure 1-4). In accordance with the contract, DMAS generally assesses a financial penalty of one percent of monthly payment for unmet performance standards. The amount of penalties assessed on LogistiCare in contract year 2015 was reduced because DMAS waived some penalties for new standards and exceptional circumstances. Virginia has not imposed penalties for unfulfilled trips after the standard was inadvertently removed by DMAS during the renewal process for contract year 2015. No penalties for that standard were collected since October 2014, even though LogistiCare's unfulfilled trip rate was over the standard every month since the beginning of the contract period.

FIGURE 1-4
NEMT broker paid nearly $2.5 million in fines for unmet performance standards since 2012



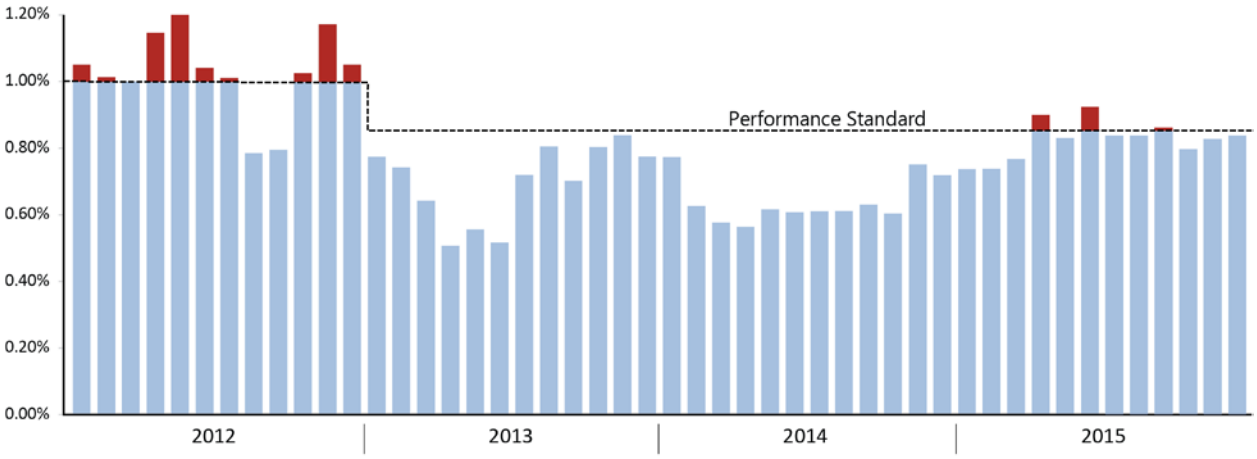
Complaint rate	$487,470	$58,264		$189,685
Unfulfilled trips			$525,900	$785,960 (forgone)
Hospital discharge				$787,033 ($215,460 waived)
Call center standards		$58,854		$270,208 ($143,568 waived)
Providers reimbursement	$125,198			$62,486
Vehicle inspection	$121,104	$58,603		
Alternative transportation	$60,298			
Incident-accident reporting				$8,000

Source: JLARC staff analysis of DMAS liquidated damages data.

Complaint rate increased in 2015 due to more late trips in urban areas

The statewide complaint rate has steadily trended upward since January 2014 and exceeded the standard three times in 2015 (January, March, and June) (Figure 1-5). LogistiCare received an average of more than 2,800 complaints each month during 2015. After repeatedly missing the standard in contract year 2012, the complaint rate decreased and remained below the standard from November 2012 through December 2014. This improvement coincided with a tighter standard that lowered the acceptable complaint rate to 0.85 percent starting in contract year 2013.

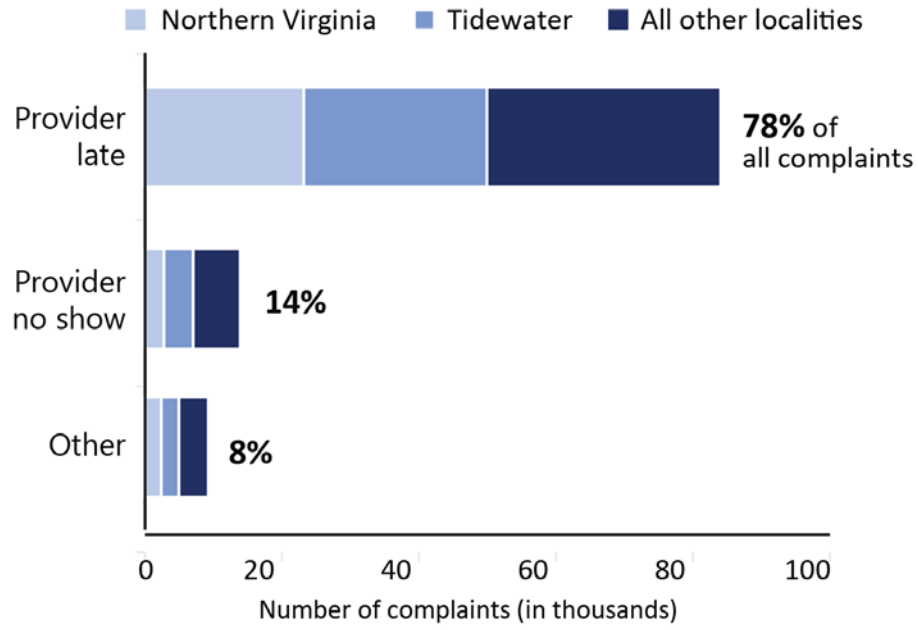
FIGURE 1-5
2015 statewide complaint rate higher than prior two years



Source: JLARC staff analysis of DMAS NEMT monthly reports.

There are many types of complaints, but most result from drivers being late for pick-up (78 percent) and drivers not showing up at all (14 percent) (Figure 1-6). Late trips can sometimes be explained by traffic congestion; the vast majority of late trip complaints originated in the Tidewater and Northern Virginia regions. These two regions accounted for a disproportionate number of late trip complaints, totaling 59 percent of all late trip complaints but 41 percent of trips. A sample of late trip complaints indicates that at least 29 percent were for a provider being over 45 minutes late.

FIGURE 1-6
Most NEMT complaints are for late trips (2012–2015)



Source: JLARC staff analysis of DMAS NEMT monthly reports.

Although most circumstances leading to complaints do not compromise patient health or safety, some can have a highly detrimental impact, especially among medically fragile individuals.

CASE STUDY
Examples of NEMT complaints

Late: Richmond enrollee called LogistiCare after driver was over an hour late. LogistiCare reported mechanical failure and gave new ETA of 20 minutes.

No show: Tidewater enrollee called LogistiCare after driver was 20 minutes late. Driver claimed enrollee was picked up but left vehicle halfway through trip. LogistiCare found this to be untrue and arranged alternate pick-up. Case was referred to LogistiCare quality assurance.

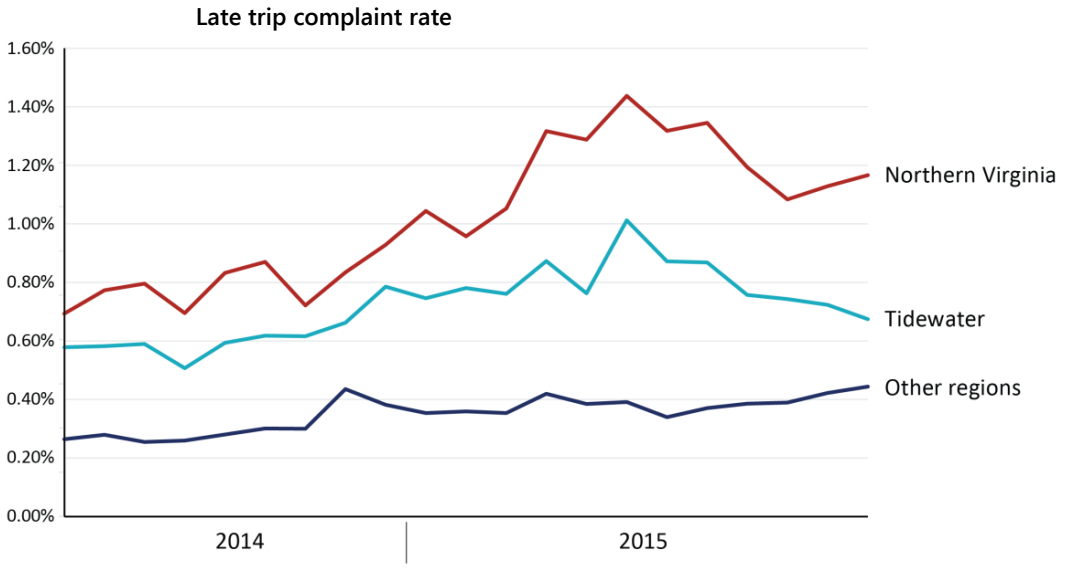
Driver issue: Northern Virginia enrollee was dropped off at the wrong building 1.5 hours early and left alone. This particular enrollee was not to be left unsupervised because of her medical condition. LogistiCare referred the case to quality assurance and counseled the driver.

Unfulfilled trip: Tidewater enrollee reported several missed trips to dialysis appointments. The enrollee claimed that the provider often cancelled trips with less than 24 hours' notice and LogistiCare could not find a replacement ride. So the enrollee drove to dialysis, which can be dangerous due to fatigue and complications. The case was referred to LogistiCare quality assurance.

An increase in late trips in Northern Virginia and Tidewater largely explains the increase in complaint rate from 2014 to 2015 (Figure 1-7). The number of late trip complaints statewide increased from 1,357 in January 2014 to a peak of 2,449 in March 2015. Most of this increase (76 percent) was due to a rise in complaints in Northern Virginia and Tidewater. The number of late trips in Tidewater subsequently declined starting in April 2015, which has helped stabilize the overall statewide complaint rate. However, the late trip complaint rate in Northern Virginia as of September 2015 remains far higher than in January 2014, 1.17 percent compared to 0.69 percent.

No single factor appears to explain the increase in complaints related to late trips in Northern Virginia and Tidewater. Although providers frequently cited traffic and weather in monthly complaint reports, these factors would not account for the sustained growth in complaints between January 2014 and March 2015. LogistiCare did reportedly terminate some providers for poor performance since January 2014, and it is possible that the remaining providers were unable to provide additional trips on time.

FIGURE 1-7
Most of the increase in late trip complaints was in Northern Virginia and Tidewater



Source: JLARC staff analysis of DMAS NEMT monthly reports.

Number of unfulfilled trips quadrupled since October 2012

The number of unfulfilled trips increased from 550 (0.15%) in October 2012 to 2,330 (0.67%) in September 2015, with most of that growth occurring in the past year. LogistiCare missed the unfulfilled trips performance standard every month from January 2014 through September 2014 (Figure 1-8), when DMAS inadvertently removed this standard from the contract year 2015 extension. LogistiCare would have missed the standard in each of the subsequent twelve months if it were still in place (sidebar). As with complaints, the impact of unfulfilled trips depends upon the particular needs of the recipients and how critical it is for them to obtain care as scheduled, or how problematic it is if they are not picked up from their care provider as scheduled.

Unfulfilled trips occur when the provider does not show up (the reason for half of unfulfilled trips) or when there was no vehicle available to schedule the trip (the other half of unfulfilled trips). These reasons contributed equally to the increase in unfulfilled trips between October 2012 and September 2015. This growth was not concentrated in the Northern Virginia and Tidewater regions, as the complaints were; all seven regions experienced a similar increase in unfulfilled trips since January 2014.

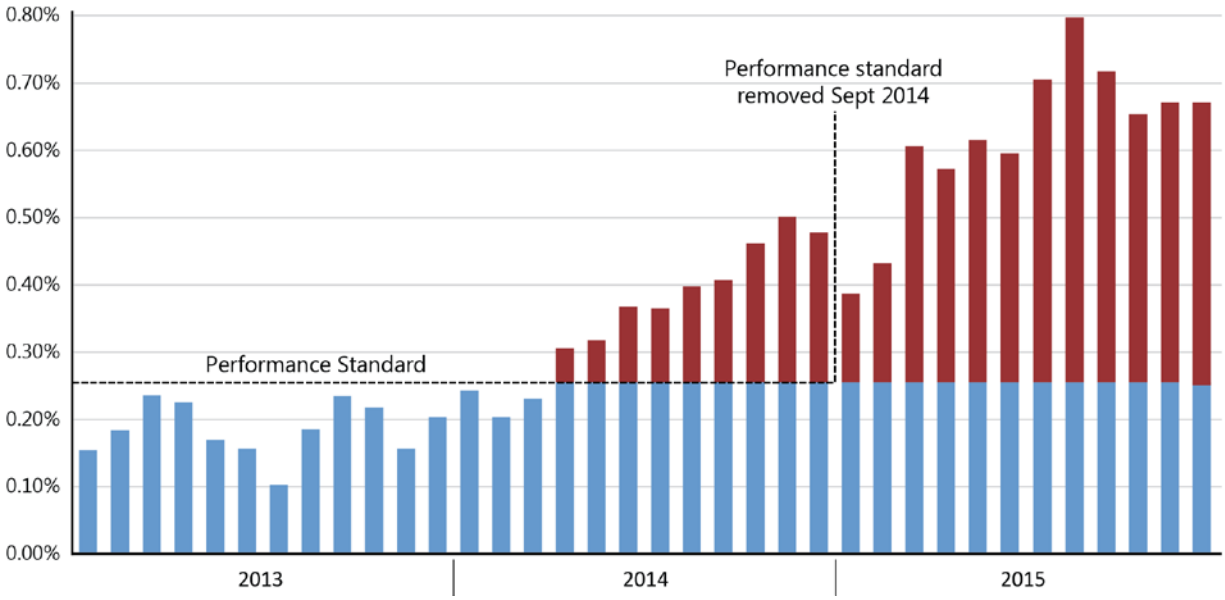
The statewide growth in unfulfilled trips was likely caused by a number of factors. LogistiCare reported terminating several providers for poor performance since January 2014, reducing the number of available transportation providers. It is also possible that the removal of the performance standard in October 2014 reduced the incentive for LogistiCare and providers to improve their performance on unfulfilled trips.

LogistiCare avoided $786,000 in fines because of the accidental removal of the performance standard for unfulfilled trips.

The performance standard was accidentally removed by DMAS when the contract was extended in 2015. If the standard had not been removed, LogistiCare would have owed at least $786,000 more in fines for contract year 2015.

DMAS intends to restore the performance standard when they sign a new contract extension.

FIGURE 1-8
Statewide unfulfilled trip rate increased significantly since January 2014



Source: JLARC staff analysis of DMAS NEMT monthly reports.

DMAS requested and received a plan from LogistiCare in June 2015 to reduce unfulfilled trips. The plan prioritizes transportation provider and volunteer driver recruitment, organic growth of existing providers, backup vehicles, and incentives for providers to accept low-mileage trips. The standard has yet to be restored to the contract, which has been operating on one-month extensions since October 2015.

Hospital discharge performance standard was not met in the first year

LogistiCare failed to meet a new hospital discharge performance standard each month during contract year 2015. DMAS waived the first three months of penalties as part of a transitional grace period after the new standard was added. LogistiCare then paid over $570,000 in penalties from January 2015 through September 2015. The standard requires that 95 percent of eligible patients be picked up within three hours of hospital discharge, but patients were picked up within three hours between 90 percent and 94 percent of the time in 2015. When this standard is not met, the patient remains at the hospital longer than necessary and hospital discharge teams are unable to discharge the recipient to clear space for other patients.

These performance issues appear to be occurring because the standard is new and requires more timely service than was previously provided. According to LogistiCare, another reason for the poor performance is that some providers have independent relationships with hospitals. Those providers separately set pick-up times that are agreeable to patients but may be more than three hours after the request was made to LogistiCare. When modifications to pick-up times are not reported to LogistiCare, the resulting discrepancies create the appearance of late pick-ups, even when the pick-ups at

occurred agreed-upon times. LogistiCare is reportedly working to improve hospital discharge performance and ensure that pick-up information is recorded accurately and revised as needed.

NEMT contract requirements could address declines in recent performance

While NEMT performance fluctuated since October 2011, recent trends show a need for improvement, particularly with regard to complaints, unfulfilled trips, and hospital discharge trips. However, NEMT performance can be difficult to manage due to many uncontrollable factors such as traffic and weather conditions. Additionally, DMAS already enforces a comparatively strict set of NEMT performance standards and penalties, so it is not clear that stricter standards and harsher penalties would improve performance.

There are certain practices that could reduce complaints and unfulfilled trips and improve the rider experience. The next NEMT contract could require the transportation broker to increase accountability for individual providers, better prioritize critical trips, and ensure that the best technology is utilized statewide. Implementing these requirements could help Virginia focus its efforts on the root causes of poor NEMT performance and mitigate the impact of uncontrollable factors.

Improved performance standards

Holding individual providers accountable for poor performance could lower complaint rates and reduce unfulfilled trips. Virginia's NEMT performance standards measure aggregate statewide performance. This means that the performance of poor-performing providers can be offset by that of high-performing providers. The contract does not have a mechanism to reward or penalize the performance of individual providers. One way to address this issue would be to require providers with consistently higher than average complaint rates to have a backup driver during peak hours. This could incentivize providers to improve on-time performance by not accepting more trips than they can satisfactorily fulfill. For poor-performing providers, the requirement would require excess capacity to better mitigate problems related to traffic, weather, and mechanical failures. Requiring backup drivers for poor-performing providers may increase costs because of the additional capacity required, but could also reduce the number of late trips and trips where the driver does not show up. This would in turn improve service for recipients and reduce the number of complaints and unfulfilled trips. Georgia, Texas, and Washington, D.C., have a similar requirement.

In Georgia, the NEMT broker is required to have back-up drivers in place no more than 30 minutes after the original driver has been deemed excessively late or unavailable for service.

Georgia fines the broker $500 per incident when the standard is not met.

RECOMMENDATION 1

The Department of Medical Assistance Services should include in its next non-emergency medical transportation services contract a provision directing the transportation broker to require backup drivers for providers with consistently higher than average complaint rates.

Prioritizing trips for certain critical services could mitigate the impact of late pick-ups and unfulfilled trips. The aggregate NEMT performance standards currently do not prioritize trips that are critical to the health and safety of Medicaid recipients. For example, a complaint for a 15-minutes-late trip to the pharmacy is counted the same as a missed dialysis appointment. Under the current system, all appointments are treated equally, so recipients who are medically fragile are just as likely to experience a late or missed trip as those who are not.

To address this issue for scheduled critical trips, DMAS could require providers to drop off patients no more than 15 minutes late for all dialysis, chemotherapy, and other critical care appointments. For unscheduled urgent care trips, DMAS could require that pick-up occur within three hours of the request. The standards would better ensure that enrollees with non-emergency but urgent medical needs are able to get to health care providers on time. While this standard would not directly address the increase in complaints and unfulfilled trips, it would ensure that critical trips are given a high priority so that the impact of late and missed trips is mitigated. Georgia, Texas, Washington, Wisconsin, and Washington, D.C., have such requirements.

In Wisconsin, the NEMT broker is required to prioritize trips for dialysis and cancer treatment. The broker is fined $1,000 per incident when the standard is not met.

Implementing these performance standards will require DMAS to establish a reasonable standard and develop new processes, and it could potentially increase costs. DMAS will need to determine the most appropriate compliance percentage for these new performance standards and work with the broker to establish a method for identifying urgent care trips without compromising the privacy of recipients. This could be done by identifying urgent trips based on destination, recipient health status, and other relevant factors, and notifying the provider of urgent need but without disclosing any private information. These new standards may also increase costs, if providers push for higher payments for urgent care trips.

RECOMMENDATION 2

The Department of Medical Assistance Services should include in its next non-emergency medical transportation services contract provisions addressing the following performance standards: (i) that patients be dropped off no more than 15 minutes late for all dialysis, chemotherapy, and critical care appointments; and (ii) that patients with same-day non-emergency urgent care needs be picked up within three hours of the request.

Improved use of technology

Virginia's NEMT broker does not use GPS technology to schedule, route, or track the trips carried out by its network of providers. Individual providers use their own systems to manage their own trips, but the lack of a centralized system makes it difficult to improve performance at the state level. There is great disparity in the efficiency and effectiveness of the systems used; some providers have adopted the latest technology and software, while others use manual processes that are difficult to adapt to outside factors like weather, traffic, and vehicle failure.

GPS-enabled routing and tracking systems show great promise for improving NEMT in Virginia. The systems are readily available and already in use by other NEMT bro-

kers in other states. In addition to scheduling optimal routes, the NEMT broker can use the system to connect to providers' GPS-enabled devices and obtain real-time data on driver locations and pick-up and drop-off times. This saves providers time assigning trips, ensures efficient routing, and allows for real-time trip reassignments for vehicles delayed by traffic or mechanical breakdown. In some cases, the technology can be linked to a recipient's smartphone, tablet, or computer to provide accurate pick-up times (similar to ridesharing applications available to the general public). Additionally, this system can report actual arrival and departure times to the transportation broker and DMAS, so performance can be more directly measured and poor-performing providers can be more easily identified.

The cost of these systems varies significantly and depends on the transportation broker, software, and equipment. However, the potential return on investment in terms of performance is significant. Accordingly, DMAS should consider requiring a statewide GPS-enabled system as part of its request for proposal for the next NEMT contract.

RECOMMENDATION 3

The Department of Medical Assistance Services should assess the cost-effectiveness of requiring the transportation broker to utilize a statewide GPS-enabled routing and tracking system. If such a system is projected to be cost effective, the Department of Medical Assistance Services should include such a requirement in its next non-emergency medical transportation services contract.

NEMT rate-setting process does not protect state's interests by ensuring that rates correspond to costs

Virginia's NEMT rate-setting process increases risk to the state, Medicaid recipients, and the transportation broker. The rate-setting process does not ensure that contractually established rates reflect actual transportation costs, resulting in the potential to either under- or overpay for NEMT services. Overpaying for services increases costs to the state and federal governments. Underpaying for services puts increased financial pressure on the broker and providers, potentially negatively impacting the quality of services. The current process also undermines DMAS's negotiating power if rates need to be changed and could disrupt continuity of service. More frequent rate validation, new financial risk controls, and more reliable cost data could help ensure that NEMT rates better reflect costs and protect the state's and enrollees' interest in the future.

NEMT capitated rates have not accurately reflected transportation costs for the most recent contract period

Capitated payments for the NEMT contract appear to have been out of line with actual costs during the current contract period, resulting in financial losses for LogistiCare. The capitated rates established through the contract award process were intended to remain applicable throughout the duration of the contract (including extension years), but the rates were increased twice to avoid disruptions in service delivery. At

the end of contract years 2014 and 2015, LogistiCare indicated that they may not be able to continue providing services under the existing rates and requested increased rates in order to extend the contract. Virginia renegotiated NEMT rates for the 2015 contract extension, and another renegotiation was underway to facilitate another contract extension but had not been finalized as of December 2015. The rate increases were not part of the original contractual agreement, which contemplated only inflationary adjustments.

Both the state and the broker are vulnerable to over- or underpayments when actual transportation costs deviate from the costs assumed in capitated rates. LogistiCare is paid a set monthly rate, called a capitated rate, for every Medicaid enrollee. Capitated rates differ between major categories of Medicaid enrollees to reflect the fact that some enrollees require more frequent or resource-intensive transportation than others. Under this structure, payments to the broker vary depending upon the actual number of enrollees and the actual mix of enrollees by category. However, the rates do not change over the term of the contract, even when they no longer correspond to the actual cost of transportation.

The rates established at the onset of the contract have not been sufficient to cover the cost of providing NEMT services to Medicaid enrollees. (Complete and reliable information on the extent and root causes of LogistiCare's losses in 2015 is not yet available.) DMAS hired an accounting firm to perform an independent financial audit of LogistiCare's revenue and expenses for contract years 2012–2014, and to review rates and costs. The audit revealed that the broker had incurred a loss of almost $5 million dollars over a period of two and a half years (Table 1-3).

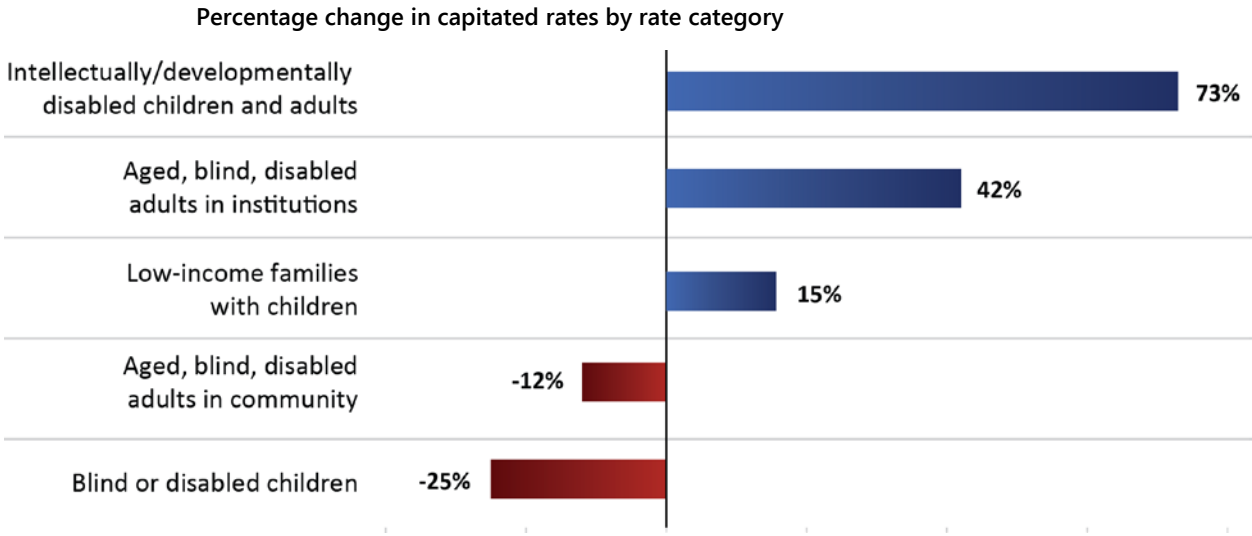
TABLE 1-3
LogistiCare incurred losses from 2012 through 2014

	2012	2013	2014*
Total revenue	**$73,226,673**	**$70,228,625**	**$35,691,728**
Total expenses	**(74,033,082)**	**(72,294,517)**	**(37,741,673)**
Total loss	**$806,450**	**$2,065,892**	**$2,049,945**

Source: Agreed-upon procedures related to Virginia Non-Emergency Transportation contract October 1, 2011, through March 31, 2014, Meyers and Stauffer report, August 2014.
*Only includes data from October 2013 through March 2014.

The losses occurred in large part because capitated rates did not cover actual costs for intellectually or developmentally disabled recipients. Capitated rates were based on the assumption that this group would take fewer trips, but the average number of trips per recipient increased by 25 percent between contract year 2011 and contract year 2012. Simultaneously, the number of enrollees in this rate category increased, resulting in 435,000 more trips (33 percent increase). These changes resulted in a loss to LogistiCare of $108.23 per month for every intellectually or developmentally disabled enrollee, or more than $800,000 during contract year 2012. These losses continued to increase through contract years 2013 and 2014. These findings were used to negotiate rates that more accurately reflected costs for contract year 2015 (Figure 1-9).

FIGURE 1-9
Virginia increased NEMT rates for the highest cost categories starting in contract year 2015



Source: JLARC staff analysis of DMAS NEMT contract documents.

Virginia's rate-setting process does not ensure that NEMT rates correspond to actual costs

Virginia's current process of establishing multiyear rates is too rigid to accommodate unforeseen changes to Medicaid enrollment or transportation costs. Population shifts and changes in costs such as gas prices can result in rates that do not cover the broker's costs or that require DMAS to make payments that significantly exceed costs. Rates are in effect for up to six years (if all extension options are exercised) without a mechanism to adjust them. Six years is too long, given that factors likely to impact costs are fluid. The discrepancy between rates and costs between contract years 2012 and 2014 demonstrates the potential impact of setting multiyear rates that are not adjusted to reflect actual costs. Although recent experience yielded a financial benefit to the state, this trend could just as easily be reversed. Further, having to renegotiate rates unexpectedly and shortly before contract extension deadlines leaves the state with little leverage and could result in higher costs. DMAS is obligated to provide NEMT services, but few other vendors could successfully take over the contract and it would take several months to bring them on board. Establishing a process to set NEMT rates annually rather than for the full three-year contract period would enable DMAS to ensure that rates better reflect costs.

RECOMMENDATION 4

The Department of Medical Assistance Services should establish capitated rates for its non-emergency medical transportation services contract every year, rather than only at the beginning of a new contract.

Currently, capitated rates do not place a limit on the transportation broker's profit or loss, which leaves the state vulnerable to overpayment for NEMT services and the

broker vulnerable to loss in any given year. Establishing rates annually (Recommendation 4) allows for adjustments from one year to the next but does not address financial risk within a given year, from month to month. For example, fluctuating gas prices could impact transportation costs and cause the state or transportation broker to lose a significant amount of money.

Other states address this issue by implementing so-called financial risk corridors. The financial risk corridor is a provision of the NEMT contract that limits the profit and loss for the transportation broker over a specific time period, such as a month, quarter, or year. For example, Nevada limits broker profit to two percent, and the state reimburses the broker for 50 percent of any losses above five percent. The broker reimburses Nevada for any profits over two percent, and the state reimburses the broker for half of the losses over five percent. This limits the risk for the state and the broker, while ensuring that NEMT rates and payments correspond to actual costs.

When developing a financial risk corridor it is important to set parameters that account for the typical pattern of utilization and associated costs. For example, monthly trips and trip costs in Virginia vary significantly depending on the number of days in each month, but the capitated rates are constant throughout the year. This results in significant variation in monthly profit and loss, but this volatility evens out over time. DMAS should consider a quarterly or annual risk corridor rate adjustment, which would better account for this volatility. That risk corridor adjustment should be based on gross profit or loss that does not take into account fines paid by the transportation broker for unmet performance standards.

RECOMMENDATION 5

The Department of Medical Assistance Services should include in its next non-emergency medical transportation services contract a provision establishing a financial risk corridor that limits the monthly profit and loss of the transportation broker.

Rates that are established annually and financial risk corridors are effective only if they are based on detailed and reliable cost data. DMAS currently relies on summary financial data self-reported by LogistiCare to assess the financial performance of the contract. Self-reported profit and loss statements do not provide an adequate basis upon which to set rates because they may contain administrative or overhead expenses that are not directly related to the provision of NEMT services in Virginia and should be excluded. This has made negotiating rates for contract extensions extremely challenging because DMAS does not have robust data to validate the need for potential rate increases. Instead, DMAS should obtain detailed data that tallies the actual cost of each trip and the administrative overhead allocated to the contract. This data should then be independently verified to ensure that trip and administrative costs are accurately captured for rate setting and payment adjustments.

RECOMMENDATION 6

The Department of Medical Assistance Services should include in its next non-emergency medical transportation services contract a provision requiring the broker to provide trip-level and administrative cost data that can be independently verified for purposes of annual rate setting and financial risk corridor payment adjustments.

DMAS can improve performance requirements and rate setting through a new contract

Awarding a new NEMT contract will enable DMAS to improve the rate-setting process and implement enhanced performance standards. Significant contract changes, such as implementing a new rate-setting process to establish annual rates using reliable data that limits financial exposure (Recommendations 4, 5, and 6) could be implemented at the start of a new contract. This change would enable DMAS to take a more proactive role in the contracting process, thereby increasing the state's leverage over the broker. Changes to improve performance could also be made under a new contract, such as implementing a GPS-enabled routing and tracking system (Recommendation 3). Making these significant contract modifications without awarding a new contract may prove challenging because of the impact on the broker's operations and costs. Even minor contract modifications, such as new performance requirements (Recommendations 1 and 2), could be difficult to implement under the current contract because DMAS has no other short-term alternative to provide NEMT services and therefore little negotiating power.

Awarding a new contract immediately is not possible, but DMAS should initiate the process as soon as possible to implement changes aimed at improving performance and mitigating financial risk to the state. Including new contract provisions for an improved rate-setting process requires reliable, trip-level claims data that has been independently verified (Recommendation 6), but DMAS indicated that obtaining and validating this data may not be possible until spring 2016. Once DMAS obtains the necessary data, the contracting process will likely take between six and nine months to complete. This lag time underscores the need to initiate the process of awarding a new contract as soon as possible.

RECOMMENDATION 7

The Department of Medical Assistance Services should issue a request for proposals for statewide non-emergency medical transportation services as soon as reliable rate-setting data is available, so that a new contract can be in place before January 1, 2017.

Appendix A: Study Mandates

HOUSE JOINT RESOLUTION NO. 637

and

SENATE JOINT RESOLUTION NO. 268

Directing the Joint Legislative Audit and Review Commission to study the Commonwealth's Medicaid program.

Agreed to by the Senate, February 27, 2015
Agreed to by the House of Delegates, February 27, 2015

WHEREAS, the Commonwealth's program of medical assistance services, also known as the Medicaid program, is the largest program in the Commonwealth's budget, accounting for more than $8 billion in combined state and federal funds in fiscal year 2014; and

WHEREAS, the Commonwealth's Medicaid program has become increasingly complex as coverage has expanded to include services related to long-term care, behavioral health, and developmental disabilities; and

WHEREAS, elderly Virginians and Virginians with disabilities represent a minority of enrollees in the Medicaid program but account for the majority of expenditures for medical assistance services and generally receive services through a fee-for-service rather than a managed care system; and

WHEREAS, a review of the eligibility process, particularly for long-term care services, could lead to strategies that strengthen the integrity of the program, improve efficiencies, and ensure that limited financial resources are directed to the individuals and families who most require assistance; and

WHEREAS, in light of budgetary pressures facing states across the nation, promising models of care and administrative processes have been implemented to lower costs associated with medical assistance services while maintaining and improving patient outcomes; and

WHEREAS, a comprehensive and analytical review of the Medicaid program should build upon and not duplicate the knowledge and findings from completed studies; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Joint Legislative Audit and Review Commission be directed to study the Commonwealth's Medicaid program. In conducting its study, the Joint Legislative Audit and Review Commission shall review (i) the processes used to determine eligibility, including the financial eligibility screening process for long-term care services, whether asset sheltering could be further prevented and asset recoveries improved, and the effectiveness of existing fraud and abuse detection and prevention efforts; (ii) whether the most appropriate services are provided in a cost-effective manner; (iii) evidence-based practices and strategies that have been successfully adopted in other states and could be used in the Commonwealth; and (iv) other relevant issues, and make recommendations as appropriate.

Technical assistance shall be provided to the Joint Legislative Audit and Review Commission by the Office of the Secretary of Health and Human Resources and the Department of Medical Assistance

Services. All agencies of the Commonwealth shall provide assistance to the Joint Legislative Audit and Review Commission for this study, upon request.

The Joint Legislative Audit and Review Commission shall complete its meetings for the first year by November 30, 2015, and for the second year by November 30, 2016, and the chairman shall submit to the Division of Legislative Automated Systems an executive summary of its findings and recommendations no later than the first day of the next Regular Session of the General Assembly for each year. Each executive summary shall state whether the Joint Legislative Audit and Review Commission intends to submit to the General Assembly and the Governor a report of its findings and recommendations for publication as a House or Senate document. The executive summaries and reports shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports and shall be posted on the General Assembly's website.

Appendix B: Research Activities and Methods

JLARC staff conducted the following primary research activities:

- quantitative analysis of contract year 2012–2015 NEMT spending and performance data;
- interviews with staff from DMAS, LogistiCare, CMS, and NEMT officials in other states; and
- review of the research literature and NEMT contracts, requests for proposals, and related documents from Virginia and comparison states.

Quantitative analysis

JLARC staff obtained NEMT spending data from DMAS for contract years 2012 through 2015. Annual NEMT spending totals were used to calculate the total growth in spending for this reporting period, the average cost per trip each year, and the average per member per month cost.

JLARC staff also obtained monthly LogistiCare NEMT performance reports for contract years 2012 through 2014, and the first six months of contract year 2015. These reports included quantitative data on a variety of performance-related categories, such as the total number of trips, complaints, incidents and accidents, and unfulfilled trips. JLARC staff consolidated these monthly reports to calculate monthly complaint rates, unfulfilled trip rates, riders by region and aid category, and trip destination by appointment type.

Structured interviews

JLARC staff conducted numerous interviews with DMAS, LogistiCare, CMS, and other states over the course of the study. The purpose of these interviews was to gather background information on NEMT spending and performance in Virginia and in the selected comparison states. Interviews for this study were conducted with the following agencies and organizations:

- Virginia Department of Medical Assistance Services;
- LogistiCare (Virginia's NEMT broker);
- Myers and Stauffer Certified Public Accountants;
- Centers for Medicare and Medicaid Services;
- Texas Health and Human Services Commission; and
- New Jersey Division of Medical Assistance and Health Services.

Document and literature review

JLARC staff reviewed state documents and the research literature in several areas related to NEMT performance and spending in Virginia and comparison states. JLARC staff reviewed NEMT contracts, requests for proposals, and related documents from Virginia, Georgia, Washington, Iowa, Connecticut, Wisconsin, Texas, New Jersey, and the District of Columbia to catalog and compare NEMT performance standards. JLARC staff also reviewed an independent audit of Virginia's NEMT rates from October 2011 through March 2014 conducted by Myers and Stauffer to compare actual NEMT costs to the current and proposed capitated rates. Lastly, JLARC staff reviewed literature investigating the principles, applications, and theories of NEMT rate setting and adjustment.

Appendix C: Virginia NEMT Performance Standards Compared to Other States

Compared to other states, Virginia imposes relatively robust performance standards on its NEMT broker. For this study JLARC staff selected seven states and the District of Columbia for comparison based on their use of the transportation broker model. Virginia, Georgia, and Texas had the most stringent performance standards in this comparison (Figure C-1).

FIGURE C-1
Virginia NEMT performance standards compared to other states

	Virginia	Georgia	Iowa	Connecticut	Wisconsin	Texas	New Jersey	Washington	DC
Complaint-Free rate	99.15%	No Standard But fined per complaint	No Standard But monitored	No Standard But monitored	99.70%	98.00%**	99.00%	No Standard But monitored	No Standard But monitored
Unfulfilled Trip Rate	0.25%*	No Standard But monitored	No Standard But monitored	No Standard But fines for denying eligible trips	No Standard But fines for denying eligible trips	98.00%**	0.04% no shows and no more than 4 no vehicle available trips	No Standard but no payment for trips resulting in missed appointments	No Standard But monitored
Call Abandonment Rate	5%	9%	5%	5%	5%	10%	5%	No Standard But monitored	No Standard But monitored
Call Wait Time (in seconds)	180	60	180 (90% of calls)	300	240	300		180	120
Calls Answered	95% (within 5 rings)	95% (within 60 seconds)		98% (within 4 rings)	100%	98%	100%	80%	100% (within 5 rings)
Hosiptal Discharge	95% (within 3 hours)				100% (within 3 hours)	100% (within 3 hours)		No Standard But 24 hour coverage for urgent trips	
Incidents-Accidents	Must report within 24 hours			Must report within 1 hour	Must report within 24 hours	Fined for preventable accidents		Must report within 1 hour	Drivers with 2+ moving violation accidents must be removed
Annual Satisfaction Survey	Fined if satisfaction rate does not increase		No Standard But monitored	No Standard But monitored		>95% Satisfaction		No Standard But monitored	No Standard But monitored
Pickup Standards	within 15 mins.	within 15 mins.	within 15 mins.	within 15 mins.	within 15 mins.	within 10 mins.	within 30 mins.	within 15 mins.	within 15 mins.
Ride Duration	no more than 45 mins.	no more than 45 mins.		no more than 15 mins. longer than estimated trip length	no more than 45 mins.			no more than 45 mins.	no more than 60 mins.
Urgent Care Tranportation		within 3 hours of request			within 3 hours of request	within 3 hours of request		No Standard But 24 hour coverage for urgent trips	within 3 hours of request
Back-up Vehicle Standard		Back-up vehicle within 30 mins.				Back-up vehicle required			Back-up vehicle within 20 mins.
Dialysis Requirement		within 10 mins. of appointment			Fined for each missed or late appointment***				

* Virginia unfulfilled trip standard was removed in September 2014

** This standard is broader than just complaints. 98% of all services must be arranged, coordinated, scheduled, dispatched and provided to meet the clients' needs

*** Includes dialysis and cancer treatment appointments

Source: JLARC staff analysis of the NEMT contract or request for proposal from each state.

Appendix D: Agency Response

As part of an extensive validation process, the state agencies and other entities that are subject to a JLARC assessment are given the opportunity to comment on an exposure draft of the report. JLARC staff sent an exposure draft of this report to the Secretary of Health and Human Resources and the Department of Medical Assistance Services. Appropriate corrections resulting from technical and substantive comments are incorporated in this version of the report.

This appendix includes a response letter from the Department of Medical Assistance Services.

COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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December 2, 2015

Hal E. Greer
Director
Joint Legislative Audit and Review Commission (JLARC)
201 North 9th Street
General Assembly Building
Suite 1100
Richmond, Virginia 23219

Dear Mr. Greer,

The Department of Medical Assistance Services (DMAS) would like to thank the staff of the Joint Legislative Audit and Review Commission (JLARC) for their conscientious efforts to understand and accurately communicate important information about the Virginia Medicaid program in their preparation of this report. We also very much appreciate the opportunities to meet with JLARC staff to discuss and clarify issues related to the subject matter of the report.

JLARC staffs' careful and thoughtful work not only brought to light important information relative to the Virginia Medicaid program, but also assembled very helpful information about best practices, based on experience of other states. We appreciate the identification of things we can do to improve, and also that the report identifies many areas in which Virginia is doing well relative to other states. The information in the report will be very helpful to DMAS in the future.

DMAS has reviewed the exposure draft of this report and agrees with the recommendations that it includes. Non-emergency medical transportation is an area in which we know improvement is needed. DMAS has been working to make changes, and the excellent work that JLARC has done, and its thoughtful recommendations, will provide guidance and assistance in that effort.

Thank you again for the opportunity to discuss the report and its findings with JLARC staff, and the opportunity to provide these comments. We want to commend you on an excellent study.

Sincerely,

Cynthia Jones

Cynthia Jones

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