



DEPARTMENT OF HEALTH AND HUMAN SERVICES

## OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION IX  
90 - 7<sup>TH</sup> STREET, SUITE 3-650  
SAN FRANCISCO, CA 94103

May 22, 2012

Report Number: A-09-11-02047

Ms. Patricia McManaman  
Director  
Department of Human Services  
State of Hawaii  
1390 Miller Street, Room 209  
Honolulu, HI 96813-2936

Dear Ms. McManaman:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Hawaii Claimed Unallowable Medicaid Reimbursement for Nonemergency Medical Transportation Services Furnished by Taxi Providers*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Doug Preussler, Audit Manager, at (415) 437-8360 or through email at [Doug.Preussler@oig.hhs.gov](mailto:Doug.Preussler@oig.hhs.gov). Please refer to report number A-09-11-02047 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Jackie Garner  
Consortium Administrator  
Consortium for Medicaid and Children's Health Operations  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, IL 60601

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**HAWAII CLAIMED UNALLOWABLE  
MEDICAID REIMBURSEMENT FOR  
NONEMERGENCY MEDICAL  
TRANSPORTATION SERVICES  
FURNISHED BY TAXI PROVIDERS**



Daniel R. Levinson  
Inspector General

May 2012  
A-09-11-02047

# *Office of Inspector General*

<http://oig.hhs.gov>

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## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Federal regulations require each State to ensure that Medicaid recipients have necessary transportation to and from medical providers and to describe in the State plan the methods that the State will use to meet this requirement. Federal regulations define transportation expenses as costs for transportation that the State Medicaid agency deems necessary to secure medical examinations and treatment for a Medicaid recipient. The State may claim Federal reimbursement for the costs of these services, commonly known as nonemergency medical transportation (NEMT) services.

In Hawaii, the Department of Human Services (State agency) administers the Medicaid program. NEMT services are provided by various transportation companies, including taxi providers, for transportation to medical destinations. Taxi providers submit invoices supported by taxi trip records to the State agency's Fiscal Management Office, which then processes voucher payments to the providers. (One NEMT voucher may consist of one or more invoices and taxi trip records.) The State agency claims Federal reimbursement on the Centers for Medicare & Medicaid Services' Form CMS-64 for voucher payments made to taxi providers.

According to the Hawaii Administrative Rules, payments for medical taxi services shall be made on the basis of metered rates charged to the public. These rules also state that payments for goods, care, and services shall be made only to providers that the State agency approved to participate in the Hawaii Medicaid program.

During the period January 1, 2007, through December 31, 2009, the State agency claimed \$5,555,859 (\$3,170,758 Federal share) for NEMT services furnished by taxi providers in Hawaii, representing 1,409 voucher payments. From 1,216 voucher payments totaling \$4,856,948, we reviewed a random sample of 34 voucher payments, consisting of 914 taxi trips. We separately reviewed the remaining 193 voucher payments, totaling \$698,911, because the claims were related to an unapproved provider or were covered under a settlement agreement that exempted the provider from certain State regulations.

### **OBJECTIVE**

Our objective was to determine whether the State agency complied with Federal and State requirements when claiming Federal Medicaid reimbursement for NEMT services furnished by taxi providers.

### **SUMMARY OF FINDINGS**

The State agency did not always comply with Federal and State requirements when claiming Federal Medicaid reimbursement for NEMT services furnished by taxi providers. Specifically, the State agency improperly claimed \$494,903 (Federal share):

- For the 914 taxi trips reviewed, the State agency properly claimed Federal reimbursement for 100 taxi trips. However, the remaining 814 taxi trips, totaling \$4,443, were entirely or partially unallowable for Federal reimbursement. Specifically, for 107 taxi trips, no Medicaid medical services were provided. In addition, for 707 taxi trips, the State agency claimed amounts in excess of metered rates charged to the public. (For each trip, we disallowed the difference between the metered rate and the amount claimed.) Based on our sample results, we estimated that the State agency claimed \$403,217 in unallowable Federal reimbursement.
- For the 193 voucher payments totaling \$698,911 that we reviewed separately, the State agency claimed \$91,686 in unallowable Federal reimbursement for (1) payments made to a taxi provider that was not approved to participate in the Hawaii Medicaid program or (2) untimely submission of invoices related to a settlement agreement between the State agency and a taxi provider. The agreement required the provider to submit invoices no later than 90 days after the date of the agreement.

The State agency claimed unallowable NEMT services because it did not have adequate policies and procedures to ensure compliance with all Federal and State requirements for NEMT services.

In addition, the State agency did not correctly report on the Form CMS-64 the amount of taxi expenditures that were eligible for Federal reimbursement. The State agency did not specifically identify and exclude expenditures for taxi trips that were State-funded, such as taxi trips provided to recipients not eligible for Medicaid. Instead, the State agency reduced its claim for Federal reimbursement by a calculated estimate for the State-funded portion. According to 42 CFR § 430.30(c), the disposition of Federal funds may not be reported on the basis of estimates. The State agency lacked internal controls to properly account for State-funded taxi expenditures when claiming Federal reimbursement for NEMT services.

## **RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government \$494,903 (Federal share) for unallowable NEMT services,
- strengthen policies and procedures to ensure compliance with Federal and State requirements for NEMT services, and
- establish internal controls to properly account for State-funded taxi expenditures when claiming Federal reimbursement for NEMT services.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our findings. The State agency described actions that it had taken or planned to take to address our recommendations. The State agency's comments are included in their entirety as Appendix C.

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## **INTRODUCTION**

### **BACKGROUND**

#### **Medicaid Program**

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

Pursuant to section 1905(b) of the Act, the Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. States with a lower per capita income relative to the national average are reimbursed a greater share of their costs. States with a higher per capita income are reimbursed a lesser share. By law, the FMAPs may not be lower than 50 percent. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5, enacted February 17, 2009, authorized the States to receive higher FMAPs. The FMAPs for Hawaii's Medicaid expenditures for calendar years 2007 through 2009 ranged from 55.11 percent to 67.35 percent.

#### **Nonemergency Medical Transportation Services**

Federal regulations (42 CFR § 431.53) require each State to ensure that Medicaid recipients have necessary transportation to and from medical providers and to describe in the State plan the methods that the State will use to meet this requirement. Federal regulations (42 CFR § 440.170) define transportation expenses as costs for transportation that the State Medicaid agency deems necessary to secure medical examinations and treatment for a Medicaid recipient. The State may claim Federal reimbursement for the costs of these services, commonly known as nonemergency medical transportation (NEMT) services.

#### **Hawaii's Nonemergency Medical Transportation Program**

In Hawaii, the Department of Human Services (State agency) administers the Medicaid program. NEMT services are provided by various transportation companies, including taxi providers, for transportation to medical destinations. Taxi providers submit invoices supported by taxi trip records to the State agency's Fiscal Management Office (FMO), which then processes voucher payments to the providers. (One NEMT voucher may consist of one or more invoices and taxi trip records.) The State agency claims Federal reimbursement on CMS's Form CMS-64 for voucher payments made to taxi providers.

The Hawaii Administrative Rules (HAR), Title 17, sections 1737-82 and 1739.1-9, describe the State agency's policies concerning intrastate NEMT services for Medicaid recipients:

- HAR § 17-1737-82(a) states that transportation may be provided to enable a recipient to secure needed medical care and related services.
- HAR § 17-1739.1-9(d) states that payments for medical taxi services shall be by purchase order issued by the State agency and only on trips to or from a physician's office, a clinic, a hospital, or an airport (for covered medical transportation) and the patient's home. Reimbursement for these services is limited as follows: (1) no detours or side trips shall be permitted; (2) the amount of payment shall be made on the basis of metered rates charged to the public; and (3) payments shall not include compensation for the driver's waiting time at the clinic, hospital, or physician's office or at the location of other providers of medical services.

According to HAR § 17-1736-15, payments for goods, care, and services shall be made only to providers approved by the State agency to participate in the Hawaii Medicaid program.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the State agency complied with Federal and State requirements when claiming Federal Medicaid reimbursement for NEMT services furnished by taxi providers.

### **Scope**

During the period January 1, 2007, through December 31, 2009, the State agency claimed \$5,555,859 (\$3,170,758 Federal share) for NEMT services furnished by taxi providers in Hawaii, representing 1,409 voucher payments. From 1,216 voucher payments totaling \$4,856,948, we reviewed a random sample. We separately reviewed the remaining 193 voucher payments, totaling \$698,911.

We did not review the State agency's overall internal control structure because our objective did not require us to do so. We limited our review of internal controls to those controls related directly to processing NEMT claims and monitoring NEMT services.

We conducted fieldwork at the State agency's offices in Honolulu, Hawaii.

### **Methodology**

To accomplish our objective, we:

- reviewed Federal laws and regulations, State regulations, and the State plan;

- held discussions with CMS and State agency officials to gain an understanding of the Medicaid NEMT program and how the State agency administers and monitors the program;
- reviewed the FMO’s practice of processing taxi voucher payments outside of the Hawaii Prepaid Medicaid Management Information System (HPMMIS);
- reviewed the State agency’s policies and procedures for determining taxi trip vouchers that are State-funded;
- reconciled line item 29, “Other Care Services,” on the Form CMS-64.9 for the period January 1, 2007, through December 31, 2009,<sup>1</sup> with the cost center code 2041 (Medical Ground Transportation Payments) expenditures processed by the FMO using the State’s Financial Accounting Management and Information System (FAMIS);
- identified 1,454 voucher payments under cost center code 2041 within the FAMIS, of which we excluded 45 voucher payments for (1) services not related to taxi trips in Hawaii and (2) reimbursements to Medicaid recipients for out-of-State ground transportation;<sup>2</sup>
- selected from the sampling frame of 1,216 voucher payments a stratified multistage random sample of 34 voucher payments, consisting of 914 taxi trips;
- obtained and reviewed supporting documentation for the 914 sample taxi trips to validate the medical destinations and dates of the trips, including:
  - matching fee-for-service medical claims data from the HPMMIS and
  - sending out letters to medical providers who were identified on the sample taxi documentation to confirm that medical services were provided when no fee-for-service medical claims were found;
- reviewed the claimed taxi fare amounts to determine whether they were based on metered rates charged to the public; and
- estimated the unallowable Federal Medicaid reimbursement in the sampling frame of 1,216 voucher payments.

See Appendix A for our sample design and methodology and Appendix B for our sample results and estimates.

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<sup>1</sup> For the quarter ended December 31, 2009, the line item 29 description changed to “Non-Emergency Medical Transportation.”

<sup>2</sup> Of the remaining 1,409 voucher payments, we separately reviewed 193 voucher payments because the claims were related to an unapproved provider or were covered under a legal agreement that exempted the provider from certain State regulations.

During our audit, we identified 193 voucher payments totaling \$698,911 that were for (1) claims from a taxi provider who was not approved by the State agency to provide NEMT services, totaling \$149,461, or (2) untimely invoice submissions related to a settlement agreement between the State agency and a taxi provider, totaling \$549,450. We reviewed the voucher payments for these two issues separately. Specifically, we:

- compared the taxi providers in our review with the State Medicaid provider listing to identify any taxi provider who was not approved by the State agency to participate in the Medicaid program during the audit period,
- reviewed the settlement agreement between the State agency and a taxi provider to verify that the provisions of the agreement were followed, and
- calculated the unallowable Federal Medicaid reimbursement.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **FINDINGS AND RECOMMENDATIONS**

The State agency did not always comply with Federal and State requirements when claiming Federal Medicaid reimbursement for NEMT services furnished by taxi providers. Specifically, the State agency improperly claimed \$494,903 (Federal share):

- For the 914 taxi trips reviewed, the State agency properly claimed Federal reimbursement for 100 taxi trips. However, the remaining 814 taxi trips, totaling \$4,443, were entirely or partially unallowable for Federal reimbursement. Specifically, for 107 taxi trips, no Medicaid medical services were provided. In addition, for 707 taxi trips, the State agency claimed amounts in excess of metered rates charged to the public. (For each trip, we disallowed the difference between the metered rate and the amount claimed.) Based on our sample results, we estimated that the State agency claimed \$403,217 in unallowable Federal reimbursement.
- For the 193 voucher payments totaling \$698,911 that we reviewed separately, the State agency claimed \$91,686 in unallowable Federal reimbursement for (1) payments made to a taxi provider that was not approved to participate in the Hawaii Medicaid program or (2) untimely submission of invoices related to a settlement agreement between the State agency and a taxi provider. The agreement required the provider to submit invoices no later than 90 days after the date of the agreement.

The State agency claimed unallowable NEMT services because it did not have adequate policies and procedures to ensure compliance with all Federal and State requirements for NEMT services.

In addition, the State agency did not correctly report on the Form CMS-64 the amount of taxi expenditures that were eligible for Federal reimbursement. The State agency did not specifically identify and exclude expenditures for taxi trips that were State-funded, such as taxi trips provided to recipients not eligible for Medicaid. Instead, the State agency reduced its claim for Federal reimbursement by a calculated estimate for the State-funded portion. According to 42 CFR § 430.30(c), the disposition of Federal funds may not be reported on the basis of estimates. The State agency lacked internal controls to properly account for State-funded taxi expenditures when claiming Federal reimbursement for NEMT services.

### **UNALLOWABLE AND PARTIALLY UNALLOWABLE REIMBURSEMENT FOR TAXI TRIPS**

For the 914 sample taxi trips reviewed, the State agency claimed Federal reimbursement for 814 taxi trips that were entirely or partially unallowable, totaling \$4,443. Specifically, the State agency claimed unallowable Federal reimbursement for 107 taxi trips where no Medicaid medical services were provided. In addition, for 707 taxi trips, the State agency claimed partially unallowable Federal reimbursement for billings in excess of metered rates charged to the public.<sup>3</sup> Based on our sample results, we estimated that the State agency claimed \$403,217 in unallowable Federal reimbursement.

#### **No Medicaid Medical Services Provided**

According to HAR § 17-1737-82(a), transportation may be provided to enable a recipient to secure needed medical care and related services.

For 107 sample taxi trips, no Medicaid medical services were provided. For each of the trips reviewed, we could not find a matching Medicaid fee-for-service medical claim nor could the medical provider confirm that the sample recipient received Medicaid-eligible services on the date of the NEMT taxi service. The State agency claimed unallowable NEMT services because it did not have policies and procedures to ensure that Federal reimbursement was claimed only for taxi trips where medical services were provided.

#### **Billings in Excess of Metered Rates**

According to HAR § 17-1739.1-9(d)(2), the amount of payment for NEMT services shall be made on the basis of metered rates charged to the public.

For 707 sample taxi trips, the State agency claimed billings in excess of metered rates charged to the public. Specifically, the State agency improperly claimed Hawaii general excise taxes ranging from 4 percent to 4.712 percent. This tax should not have been applied to the invoiced

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<sup>3</sup> There were a total of 803 taxi trips for which the State agency claimed unallowable Federal reimbursement for billings in excess of metered rates charged to the public. However, for 96 of these taxi trips, no Medicaid medical services were provided; therefore, we disallowed the entire amount. For the remaining 707 taxi trips, we determined that Medicaid medical services were provided; therefore, we disallowed only the portion of the billings in excess of the metered rates.

taxi fare charges because NEMT taxi providers are not allowed to bill more than the metered rates charged to the public.<sup>4</sup> For each taxi trip, we disallowed the difference between the metered rate and the amount claimed. The State agency claimed unallowable NEMT services because it did not have policies and procedures to ensure that claims were limited to metered rates charged to the public.

## **UNAPPROVED TAXI PROVIDER AND UNTIMELY SUBMISSION OF INVOICES**

For the 193 voucher payments totaling \$698,911 that we reviewed separately, the State agency claimed \$91,686 in unallowable Federal reimbursement for (1) payments made to a taxi provider that was not approved to participate in the Hawaii Medicaid program or (2) untimely submission of invoices related to a settlement agreement between the State agency and a taxi provider.

### **Unapproved Taxi Provider**

According to HAR § 17-1736-15, payments for goods, care, and services shall be made only to providers approved by the State agency to participate in the Hawaii Medicaid program.

The State agency claimed \$84,698 in unallowable Federal Medicaid reimbursement for payments made to Taxi Company A, which was not approved to participate in the Hawaii Medicaid program during our audit period. Specifically, the company did not have a valid Medicaid provider identification number. The State agency did not verify whether the taxi company was an approved Medicaid NEMT provider before it made the payments. The State agency claimed unallowable NEMT services because it did not have adequate policies and procedures to ensure that taxi providers were approved Medicaid NEMT providers.

### **Untimely Submission of Invoices Covered Under a Settlement Agreement**

According to HAR § 17-1739.1-16, Medicaid providers shall submit all claims for payment within 12 months from providing care or services. However, a claim for a medical assistance payment that is received by the State agency more than 12 months after the date of service may be accepted and processed as a corrective action to resolve a dispute. The State agency and Taxi Company B entered into a settlement agreement dated September 23, 2008, which specified that claims for services filed more than 12 months after the date of service were to be submitted to the State agency no later than 90 calendar days after the agreement date.<sup>5</sup>

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<sup>4</sup> The State agency issued memorandum ACS M09-16, “Non-Emergency Transportation Policy Adherence” (dated July 7, 2009), to NEMT providers when it became aware that its NEMT policies were not being followed. The State agency reiterated that its NEMT policies and procedures do not allow general excise tax to be paid as a separate, additional cost because it is included in the taxi meter rate structure.

<sup>5</sup> Taxi Company B had outstanding claims for payment that had not been submitted within 12 months after the date of service. On July 8, 2005, Taxi Company B requested a waiver of the requirement in HAR § 17-1739.1-16, which the State agency denied on July 14, 2005. In lieu of an administrative hearing, the two parties agreed to the terms of a settlement agreement, which allowed Taxi Company B to submit claims with dates of service more than 12 months before the date of the agreement.

We reviewed Taxi Company B's claims under the settlement agreement, totaling \$549,450, and identified \$6,988 in unallowable Federal reimbursement related to untimely submission of invoices to the State agency. Specifically, the invoice dates<sup>6</sup> were more than 90 calendar days after the agreement date. We did not perform any other review of these claims because some claims were dated as far back as 1994. The State agency claimed unallowable reimbursement because it did not have procedures to ensure that claims were submitted in a timely manner under the provisions of the settlement agreement.

## **INCORRECT FEDERAL REPORTING OF TAXI EXPENDITURES**

According to 42 CFR § 430.30(c), the State agency must submit the Form CMS-64 to the Federal Government, which is a report of the State's accounting of actual recorded expenditures. The disposition of Federal funds may not be reported on the basis of estimates.

The State agency did not correctly report on the Form CMS-64 the amount of taxi expenditures that were eligible for Federal reimbursement. The FMO did not specifically identify and exclude expenditures for taxi trips that were State-funded and thus ineligible for Federal reimbursement.

A taxi trip is State-funded when a provider transports a recipient who is not eligible for Medicaid or transports a federally eligible recipient to a medical service not covered under Medicaid. At the time of taxi voucher payment processing, the FMO did not verify that the recipient or medical service was covered under Medicaid. As a result, the State agency could not determine the proper amount of taxi voucher payments to claim for Federal reimbursement on the Form CMS-64. Instead, the State agency recorded the voucher payments on the Form CMS-64 based on the total taxi expenditures from the FAMIS electronic file system, reduced by a calculated estimate for the State-funded portion. Because the State agency reported the amount of taxi expenditures eligible for Federal reimbursement based on estimates, it was not in compliance with Federal regulations.

The State agency lacked internal controls to properly account for State-funded taxi expenditures when claiming Federal reimbursement for NEMT services.

## **RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government \$494,903 (Federal share) for unallowable NEMT services,
- strengthen policies and procedures to ensure compliance with Federal and State requirements for NEMT services, and

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<sup>6</sup> There was no date stamp on Taxi Company B's submitted invoices documenting when the State agency received the invoices. Because we were unable to determine the actual submission dates of the claims, we used the claim invoice dates in determining whether the invoices were received in a timely manner.

- establish internal controls to properly account for State-funded taxi expenditures when claiming Federal reimbursement for NEMT services.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our findings. The State agency described actions that it had taken or planned to take to address our recommendations. The State agency's comments are included in their entirety as Appendix C.

### **OTHER MATTER: LACK OF CONTROLS TO PREVENT OR DETECT DUPLICATE PAYMENTS**

The FMO records taxi voucher payments in the FAMIS electronic payment transaction file, which shows data fields such as invoice number, vendor name, voucher payment number, voucher payment amount, and voucher payment date. However, a voucher payment may consist of numerous vendor invoices, and a vendor invoice may consist of numerous individual taxi trip records. Because the FAMIS payment file does not identify payment information at the level of individual taxi trip records, the State agency does not have controls to prevent or detect duplicate claims. We could not determine the extent of any payments for duplicate claims because we did not conduct such a detailed review.

# **APPENDIXES**

## **APPENDIX A: SAMPLE DESIGN AND METHODOLOGY**

### **POPULATION**

The population consisted of taxi trip reimbursements to Hawaii taxi providers that the Hawaii Department of Human Services (State agency) claimed on the quarterly Form CMS-64 during the period January 1, 2007, through December 31, 2009.

### **SAMPLING FRAME**

The sampling frame consisted of voucher payments made to taxi vendors by the State agency's Fiscal Management Office (FMO). The FMO provided the voucher payments from the State agency's Financial Accounting Management and Information System (FAMIS) electronic payment transaction file through the Data Mart application. The file contained 1,454 voucher payments under the cost center code 2041 (Medical Ground Transportation Payments), totaling \$5,907,079. Of the 1,454 vouchers, we (1) excluded from our review 45 voucher payments that were for services not related to taxi trips in Hawaii and reimbursements to Medicaid recipients for out-of-State ground transportation and (2) separately reviewed 193 vouchers. Therefore, the adjusted sampling frame consisted of 1,216 voucher payments totaling \$5,035,558.

Our audit disclosed that the FMO processed taxi voucher payments without determining whether the taxi trips were State-funded and thus ineligible for Federal reimbursement. (A taxi trip is State-funded when a provider transports a recipient who is not eligible for Medicaid or transports a federally eligible recipient to a medical service not covered under Medicaid.) To account for the State-funded portion, the State agency estimated the taxi expenditures eligible for Federal reimbursement (as reported on the Form CMS-64) by reducing the total taxi expenditures based on the percentage of State-funded claims (i.e., not eligible for Medicaid) for the quarter. For the sampling frame of 1,216 voucher payments, the State agency reported \$4,856,948 as eligible for Federal reimbursement out of the total taxi expenditures of \$5,035,558. However, because it was not practical to identify all of the trips that were State-funded, the vouchers in the sampling frame included both Federal- and State-funded taxi trips.

### **SAMPLE UNIT**

The primary sample unit was a voucher payment to a taxi vendor claimed during our audit period. For each sampled voucher payment, the secondary sample unit was a taxi trip supported by a trip report.

### **SAMPLE DESIGN**

We used a stratified multistage sample design to review the Hawaii taxi expenditures. We first stratified the sampling frame of voucher payments into three strata based on the total taxi expenditures reported in the FAMIS, as shown in the following table:

<b>Stratum</b>	<b>Payment Range</b>
1	\$28 to \$2,600
2	\$2,601 to \$7,600
3	\$7,601 to \$37,605

Next, for each stratum, we randomly selected voucher payments as our primary sample units. For each of the selected voucher payments within a stratum, we selected a simple random sample of 30 taxi trips.

### **SAMPLE SIZE**

We selected a total of 34 voucher payments for our primary sample units: 17 voucher payments in the first stratum, 8 voucher payments in the second stratum, and 9 voucher payments in the third stratum. For our secondary sample unit, we selected a total of 914 taxi trip reports.

### **SOURCE OF RANDOM NUMBERS**

We used the Office of Inspector General (OIG), Office of Audit Services (OAS), statistical software to generate a set of single-stage random numbers for each of the 3 strata and each of the selected 34 voucher payments.

### **METHOD OF SELECTING SAMPLE ITEMS**

We sorted the voucher payments in each stratum by amount and voucher payment number, and consecutively numbered the voucher payments contained in each stratum. Using the set of random numbers generated for each stratum, we selected the corresponding voucher payments in each stratum as the primary sample units.

For each voucher payment selected, we created a list of all taxi trips using the trip reports supporting the voucher payment and consecutively numbered the taxi trips. Using the set of random numbers generated for the sampled voucher payment, we selected the corresponding frame item in each voucher payment as the sample trip to be reviewed (secondary sample unit). If the list of taxi trips contained 30 or fewer trips, we reviewed all of the trips on the list.

Because the sampling frame included taxi trips for both federally eligible and State-funded recipients and it was not practical to remove all of the trips for State-funded recipients, any State-funded trip found in the sample was not replaced.

### **CHARACTERISTICS TO BE MEASURED**

A sample unit (taxi trip) was determined to be unallowable if the purpose of the trip was not related to a valid medical service or the invoice for the trip was submitted to the State agency more than 12 months after the date of service. In addition, we considered as unallowable any portion of the taxi trip charges that was (1) not based on the metered rates charged to the public and/or (2) due to the addition of the State of Hawaii general excise tax.

For any sample trip determined to be for a recipient who was State-funded (i.e., not eligible for Medicaid), we did not review compliance with Federal and State requirements.

### **ESTIMATION METHODOLOGY**

We used the OIG/OAS statistical software to estimate the amounts associated with unallowable taxi trips. We used the lower limit of the 90-percent confidence interval to determine the unallowable Federal reimbursement.

**APPENDIX B: SAMPLE RESULTS AND ESTIMATES**

**Sample Results**

<b>Stratum</b>	<b>No. of Voucher Payments</b>	<b>Value of Voucher Payments (Federal Share)<sup>1</sup></b>	<b>Voucher Payment Sample Size</b>	<b>No. of Taxi Trips for Selected Voucher Payments</b>	<b>Taxi Trip Sample Size</b>	<b>No. of Unallowable Taxi Trips</b>	<b>Value of Unallowable Taxi Trips (Federal Share)</b>
1	666	\$496,644	17	747	404	358	\$1,655
2	385	902,532	8	1,486	240	221	558
3	165	1,356,844	9	2,196	270	235	2,230
<b>Total</b>	<b>1,216</b>	<b>\$2,756,020</b>	<b>34</b>	<b>4,429</b>	<b>914</b>	<b>814</b>	<b>\$4,443</b>

**Estimates of Unallowable Federal Reimbursement for Taxi Trips**  
*(Limits Calculated for a 90-Percent Confidence Interval)*

Point estimate	\$608,081
Lower limit	403,217
Upper limit	812,945

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<sup>1</sup> The total amount of \$2,756,020 represents the Federal share of the 1,216 voucher payments totaling \$4,856,948.

APPENDIX C: STATE AGENCY COMMENTS

NEIL ABERCROMBIE  
GOVERNOR



PATRICIA MCMANAMAN  
DIRECTOR

BARBARA A. YAMASHITA  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

Office of the Director  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

May 2, 2012

Ms. Lori A. Ahlstrand  
Regional Inspector General for Audit Services  
Office of Audit Services, Region IX  
90-7<sup>th</sup> Street, Suite 3-650  
San Francisco, California 94103

Dear Ms. Ahlstrand:

Enclosed is the Department of Human Services' responses and corrective action plan related to your audit entitled *Hawaii Claimed Unallowable Medicaid Reimbursement for Nonemergency Medical Transportation (NEMT) Services Furnished by Taxi Providers*, audit number A-09-11-02047 dated March 21, 2012. We appreciate the opportunity to comment on the audit report.

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia McManaman".

Patricia McManaman  
Director

Enclosure

*Enclosure*

**FINDINGS:**

The State agency did not always comply with Federal and State requirements when claiming Federal Medicaid reimbursement for NEMT services furnished by taxi providers. Specifically, the State agency improperly claimed \$494,903 (Federal share):

- For the 914 taxi trips reviewed, the State agency properly claimed Federal reimbursement for 100 taxi trips. However, the remaining 814 taxi trips, totaling \$4,443 were entirely or partially unallowable for Federal reimbursement. Specifically, for 107 taxi trips, no Medicaid medical services were provided. In addition, for 707 taxi trips, the State agency claimed amounts in excess of metered rates charged to the public. (For each trip, we disallowed the difference between the metered rate and the amount claimed.) Based on our sample results, we estimated that the State agency claimed \$403,217 in unallowable Federal reimbursement.
- For the 193 voucher payments totaling \$698,911 that we reviewed separately, the State agency claimed \$91,686 in unallowable Federal reimbursement for (1) payment made to a taxi provider that was not approved to participate in the Hawaii Medicaid program or (2) untimely submission of invoices related to a settlement agreement between the State agency and a taxi provider. The agreement required the provider to submit invoices no later than 90 days after the date of the agreement.

The State agency claimed unallowable NEMT services because it did not have adequate policies and procedures to ensure compliance with all Federal and State requirements for NEMT services.

In addition, the State agency did not correctly report on the Form CMS-64 the amount of taxi expenditures that were eligible for Federal reimbursement. The State agency did not specifically identify and exclude expenditures for taxi trips that were State-funded, such as taxi trips provided to recipients not eligible for Medicaid. Instead, the State agency reduced its claim for Federal reimbursement by a calculated estimate for the State-funded portion. According to 42 CFR § 430.30(c), the disposition of Federal funds may not be reported on the basis of estimates. The State agency lacked internal controls to properly account for State-funded taxi expenditures when claiming Federal reimbursement for NEMT services.

**RECOMMENDATIONS:**

We recommend that the State agency:

- Refund to the Federal Government \$494,903 (Federal share) for unallowable NEMT Services,
- Strengthen policies and procedures to ensure compliance with Federal and State requirements for NEMT services, and

- Establish internal controls to properly account for State-funded taxi expenditures when claiming Federal reimbursement for NEMT services.

**CONCURRENCE/CORRECTIVE ACTION TAKEN OR PLANNED:**

We concur with the auditor's findings. The Department of Human Services (DHS) has completed/or plans the following corrective action for each of the recommendations listed above.

- The DHS has refunded the \$494,903 via a line 10A entry on the CMS-64 for the quarter ending March 31, 2012.
- All NEMT services are coordinated via a case management company contracted by the DHS. Each quarter the case management company verifies with the DHS that each of the providers used are still active and in good standing. Also, the DHS-Med-QUEST Division (MQD) will notify the contractor should any of the NEMT providers terminate from the program.
- Under the current process all NEMT payments are made manually via the DHS-Fiscal Management Office. The DHS-MQD is exploring the possibility of having the NEMT providers submit a medical claim via HPMMIS. When processed via HPMMIS the claims will be verified against provider and recipient eligibility, pricing, and code edits. HPMMIS will have to be modified to accept these claims in addition to training providers to submit a medical claim. DHS plans to implement by January 1, 2013.