

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**CALIFORNIA CLAIMED MEDICAID
REIMBURSEMENT FOR SOME
NONEMERGENCY MEDICAL
TRANSPORTATION SERVICES THAT
DID NOT COMPLY WITH FEDERAL
AND STATE REQUIREMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



Lori A. Ahlstrand
Regional Inspector General
for Audit Services

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EXECUTIVE SUMMARY

California claimed at least \$375,000 in Federal Medicaid reimbursement over a 1-year period for nonemergency medical transportation services that did not comply with Federal and State requirements. In addition, transportation providers did not always maintain documentation for drivers and vehicles associated with these transportation services in compliance with State requirements.

WHY WE DID THIS REVIEW

The Medicaid program pays for nonemergency medical transportation (NEMT) services that a State determines to be necessary for beneficiaries to obtain medical care. Because the Office of Inspector General (OIG) has consistently identified this area as vulnerable to fraud, waste, and abuse, OIG has conducted audits in multiple States since 2006. This review covers all claims for NEMT services in California except those claims paid to transportation providers in Los Angeles County, which we reviewed in two separate audits.

Our objectives were to determine whether (1) the California Department of Health Care Services (State agency) claimed Federal Medicaid reimbursement for NEMT services that complied with Federal and State requirements and (2) transportation providers maintained documentation for drivers and vehicles associated with NEMT services in compliance with State requirements.

BACKGROUND

In California, NEMT is defined as transportation by ambulance, litter van, and wheelchair van of beneficiaries whose medical conditions require transportation services but not emergency services or equipment during transport. According to California regulations, the State agency pays transportation providers for NEMT services if transportation is required for beneficiaries to obtain needed medical care and authorizes payment for the lowest cost type of medical transportation that is adequate for the beneficiary's medical needs. To be reimbursed, NEMT services generally require prior authorization from the State agency through approval of a treatment authorization request (TAR) submitted by the transportation provider. For NEMT services to be eligible for payment, providers must maintain retrievable records to fully disclose the type and extent of the services provided and identify the vehicles used. Furthermore, providers must ensure that their drivers comply with State requirements for operating the vehicles used to provide the services to beneficiaries.

HOW WE CONDUCTED THIS REVIEW

We limited our review to Medicaid fee-for-service claims paid to medical transportation providers in California for NEMT services from July 1, 2010, through June 30, 2011. We excluded claims (1) paid to medical transportation providers in Los Angeles County (which we reviewed in two separate audits) and (2) with beginning dates of service on or before June 30, 2010 (because California law may not have required transportation providers to maintain records for these claims). Our review included NEMT services that both required and did not require prior authorization.

From a total of approximately \$62 million (\$37 million Federal share) that the State agency claimed for Federal reimbursement, we reviewed a random sample of 100 beneficiary-services. A beneficiary-service represented all paid claims for NEMT services provided to one beneficiary on the same beginning and ending dates of service.

WHAT WE FOUND

The State agency claimed Federal Medicaid reimbursement for some NEMT services that did not comply with Federal and State requirements. Of the 100 sampled beneficiary-services, 89 complied with Federal and State requirements. For five beneficiary-services, we were unable to contact the transportation providers and determine compliance. Six sampled beneficiary-services did not comply with requirements:

- For two beneficiary-services, the State agency paid for NEMT services that were not supported by sufficient documentation.
- For two beneficiary-services, the State agency paid for NEMT services that were not the lowest cost type of medical transportation that would have been adequate for the beneficiaries' medical needs.
- For one beneficiary-service, the State agency paid for NEMT services provided on a date that the beneficiary did not obtain needed medical care.
- For one beneficiary-service, the State agency paid for an NEMT service that was improperly billed as a "night call" service. Night call services are provided from 7:00 p.m. to 7:00 a.m. and are reimbursed an additional amount above the standard service rate.

These deficiencies occurred because the transportation providers did not always follow Federal and State requirements for billing NEMT services. Using our sample results, we estimated that the State agency claimed Federal reimbursement of at least \$375,665 for NEMT services that did not comply with Federal and State requirements.

In addition, for 12 beneficiary-services, transportation providers did not maintain documentation for drivers and vehicles associated with NEMT services in compliance with State requirements. Specifically, for all 12 beneficiary-services, transportation providers did not have records to show that their drivers complied with State requirements for operating the vehicles used, and for 2 of these beneficiary-services, the transportation providers also did not have records to identify the vehicles used to provide the services.

Because these deficiencies were not related to State requirements for reimbursement, we did not include them in our estimate of unallowable Federal reimbursement. However, it is important for the State agency to educate providers to ensure that their drivers comply with State requirements for operating vehicles used to provide NEMT services to beneficiaries and that adequate vehicle documentation is maintained.

WHAT WE RECOMMEND

We recommend that the State agency:

- refund \$375,665 to the Federal Government,
- educate transportation providers to ensure that they follow Federal and State requirements for billing NEMT services, and
- educate transportation providers to ensure that they follow State requirements for maintaining documentation for drivers and vehicles associated with NEMT services.

STATE AGENCY COMMENTS AND OUR RESPONSE

In written comments on our draft report, the State agency partially agreed with our first recommendation. The State agency agreed with our second and third recommendations and provided information on actions that it planned to take to address our recommendations.

The State agency agreed that six sampled beneficiary-services did not comply with Federal and State requirements. Our draft report included a finding that, for one sampled beneficiary-service, the State agency paid for an NEMT service provided on a date that was not authorized on the approved TAR. The State agency disagreed with our finding, stating that upon further review of the beneficiary's medical record, it was able to confirm medical necessity for an additional day of service.

After reviewing the State agency's comments, we removed the finding and revised the amount of our recommended refund.

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INTRODUCTION

WHY WE DID THIS REVIEW

The Medicaid program pays for nonemergency medical transportation (NEMT) services that a State determines to be necessary for beneficiaries to obtain medical care. Because the Office of Inspector General (OIG) has consistently identified this area as vulnerable to fraud, waste, and abuse, OIG has conducted audits in multiple States since 2006. This review covers all claims for NEMT services in California except those claims paid to transportation providers in Los Angeles County.¹ Appendix A lists related OIG reports on Medicaid NEMT services.

OBJECTIVES

Our objectives were to determine whether (1) the California Department of Health Care Services (State agency) claimed Federal Medicaid reimbursement for NEMT services that complied with Federal and State requirements and (2) transportation providers maintained documentation for drivers and vehicles associated with NEMT services in compliance with State requirements.

BACKGROUND

The Medicaid Program: Administration and Federal Reimbursement

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.

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. During our audit period, the FMAP in California ranged from 56.88 to 61.59 percent.

Medicaid Coverage of Nonemergency Medical Transportation Services

Federal regulations require States to ensure necessary transportation for Medicaid beneficiaries to and from medical care providers (42 CFR § 431.53). Federal regulations define transportation as expenses for transportation and other related travel expenses determined to be necessary by

¹ We issued a separate report on the results of our review of NEMT services in Los Angeles County that required prior authorization (*California Claimed Medicaid Reimbursement for Some Nonemergency Medical Transportation Services in Los Angeles County That Did Not Comply With Federal and State Requirements* (A-09-12-02083), issued June 24, 2014). We also plan to issue a separate report on the results of our review of NEMT services in Los Angeles County that did not require prior authorization.

the State agency to secure medical examinations and treatment for a beneficiary (42 CFR § 440.170(a)(1)).

Federal regulations require each State to describe in its State plan the methods that the State will use to meet the requirement to ensure necessary transportation for Medicaid beneficiaries (42 CFR § 431.53(b)). In addition, a State plan must require that providers of services keep records to fully disclose the extent of services provided to Medicaid beneficiaries (Social Security Act (the Act), § 1902(a)(27)). A State may choose to claim transportation costs as either administrative or medical assistance expenditures under its State plan (CMS State Medicaid Director Letter, March 31, 2006).

California's Medicaid Program

In California, the State agency administers the Medicaid program. The State agency reports expenditures related to fee-for-service claims on Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64), for Federal reimbursement. For reporting purposes, California treats NEMT services as medical assistance expenditures.

Nonemergency Medical Transportation Services in California

In California, NEMT is defined as transportation by ambulance, litter van,² and wheelchair van of beneficiaries whose medical conditions require medical transportation services but not emergency services or equipment during transport (22 CCR § 51151.7). These transportation services allow Medicaid beneficiaries to obtain needed medical care.

Authorization and Delivery of Nonemergency Medical Transportation Services

Authorization for NEMT services is granted or Medicaid reimbursement is approved only for the lowest cost type of medical transportation that is adequate for the beneficiary's medical needs and is available to transport the beneficiary at the time transportation is required (22 CCR § 51323(b)). NEMT services necessary to obtain services under Medicaid generally require a physician's, dentist's, or podiatrist's prescription and prior authorization (22 CCR § 51323(b)(2)).³

Transportation providers obtain prior authorization by submitting a treatment authorization request (TAR) to the State agency (22 CCR § 51003(a)). The TAR contains information necessary for the State agency to determine the medical necessity of the NEMT services. If the

² A litter van is a vehicle that is modified, equipped, and used for the purpose of providing NEMT for patients with stable medical conditions who require the use of a litter or gurney and that is not routinely equipped with the medical equipment or personnel required for the specialized care provided in an ambulance (California Code of Regulations (CCR), Title 22, § 51151.3).

³ NEMT services are exempt from the prior authorization requirement when provided to a patient being transferred from an acute-care hospital immediately following a stay as an inpatient at the acute level of care to a skilled nursing facility or an intermediate-care facility.

TAR is approved, the transportation provider is authorized to provide approved NEMT services to the beneficiary within valid dates of authorization and to receive reimbursement from the State agency for those services.

Payments to Transportation Providers for Nonemergency Medical Transportation Services

Transportation providers bill for NEMT services provided to Medicaid beneficiaries by submitting claims to the State agency's fiscal agent. The fiscal agent processes the claims, and the transportation providers are paid according to maximum allowable rates established by the State (22 CCR § 51527(a)(1)).

HOW WE CONDUCTED THIS REVIEW

We limited our review to Medicaid fee-for-service claims paid to medical transportation providers in California for NEMT services from July 1, 2010, through June 30, 2011. We excluded claims (1) paid to medical transportation providers in Los Angeles County (which we reviewed in two separate audits) and (2) with beginning dates of service on or before June 30, 2010 (because transportation providers may not have been required to maintain records for these claims).⁴ Our review included NEMT services that both required and did not require prior authorization.

From a total of \$61,770,444 (\$36,712,964 Federal share) that the State agency claimed for NEMT services, we reviewed a random sample of 100 beneficiary-services. A beneficiary-service represented all paid claims for NEMT services provided to one beneficiary on the same beginning and ending dates of service.

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 objectives.

Appendix B contains the details of our audit scope and methodology, Appendix C describes our statistical sampling methodology, and Appendix D contains our sample results and estimates.

⁴ California Welfare and Institutions Code, section 14124.1, requires providers to maintain records for a period of 3 years from the date that the service was provided.

FINDINGS

The State agency claimed Federal Medicaid reimbursement for some NEMT services that did not comply with Federal and State requirements. Of the 100 sampled beneficiary-services, 89 complied with Federal and State requirements. For five beneficiary-services, we were unable to contact the transportation providers and determine compliance.⁵ Six sampled beneficiary-services did not comply with requirements:

- For two beneficiary-services, the State agency paid for NEMT services that were not supported by sufficient documentation.
- For two beneficiary-services, the State agency paid for NEMT services that were not the lowest cost type of medical transportation that would have been adequate for the beneficiaries' medical needs.
- For one beneficiary-service, the State agency paid for NEMT services provided on a date that the beneficiary did not obtain needed medical care.
- For one beneficiary-service, the State agency paid for an NEMT service that was improperly billed as a "night call" service. Night call services are provided from 7:00 p.m. to 7:00 a.m. and are reimbursed an additional amount above the standard service rate.

These deficiencies occurred because the transportation providers did not always follow Federal and State requirements for billing NEMT services. Using our sample results, we estimated that the State agency claimed Federal reimbursement of at least \$375,665 for NEMT services that did not comply with Federal and State requirements.

In addition, for 12 beneficiary-services, transportation providers did not maintain documentation for drivers and vehicles associated with NEMT services in compliance with State requirements. Specifically, for all 12 beneficiary-services, transportation providers did not have records to show that their drivers complied with State requirements for operating the vehicles used, and for 2 of these beneficiary-services, the transportation providers also did not have records to identify the vehicles used to provide the services.

Because these deficiencies were not related to State requirements for reimbursement, we did not include them in our estimate of unallowable Federal reimbursement. However, it is important for the State agency to educate providers to ensure that their drivers comply with State requirements for operating vehicles used to provide NEMT services to beneficiaries and that vehicle documentation is maintained.

See Appendix E for details on the Federal and State requirements related to NEMT services and providers.

⁵ We treated these beneficiary-services as non-errors.

STATE AGENCY PAID FOR SOME NONEMERGENCY MEDICAL TRANSPORTATION SERVICES THAT DID NOT COMPLY WITH FEDERAL AND STATE REQUIREMENTS

The State agency paid for some NEMT services that did not comply with Federal and State requirements. Specifically, for six beneficiary-services, the State agency paid for services that were not supported by sufficient documentation, for services that were not the lowest cost type of medical transportation adequate for the beneficiaries' medical needs, for services provided on a date that the beneficiary did not obtain needed medical care, and for a service that was improperly billed as a night call service. Using our sample results, we estimated that the State agency claimed at least \$375,665 in unallowable Federal reimbursement.

Transportation Provider Documentation Did Not Support Services Provided

The State agency requires providers to maintain readily retrievable records to fully disclose the type and extent of services provided to a Medicaid beneficiary (22 CCR § 51476(a)). For two beneficiary-services, the State agency paid for NEMT services that were not supported by sufficient transportation provider documentation:

- For one beneficiary-service, the State agency paid for a round-trip between the beneficiary's residence and a medical facility. However, the transportation provider only had documentation to show that a one-way trip was provided. We allowed payment for the one-way service.
- For the other beneficiary-service, the State agency paid for eight round-trips on multiple dates. For two dates, the transportation provider only had documentation to show that one-way trips were provided, and for another date, the transportation provider did not have any documentation to show that the round-trip was provided. We allowed payment for five round-trips and two one-way trips.

Services Paid Were Not the Lowest Cost Type of Medical Transportation Adequate for Beneficiaries' Medical Needs

The State agency approves reimbursement only for the lowest cost type of medical transportation that is adequate for the beneficiary's medical needs (22 CCR § 51323(b)). For two beneficiary-services, the State agency paid for NEMT services that were not the lowest cost type of medical transportation that would have been adequate for the beneficiaries' medical needs. For both beneficiary-services, the transportation providers improperly billed the NEMT services as ambulance transfers from acute-care hospitals to skilled nursing facilities. Although the documentation for each provider showed that a transfer was provided, the documentation did not support the need for an ambulance. On the basis of the documentation, we determined that a lower cost type of medical transportation would have been adequate for the beneficiaries'

medical needs; specifically, wheelchair and litter vans.⁶ We allowed payments for these beneficiary-services at the lower wheelchair and litter van rates.⁷

Services Were Provided on a Date That the Beneficiary Did Not Obtain Needed Medical Care

The State agency pays for NEMT services if transportation is required for beneficiaries to obtain needed medical care (22 CCR § 51323(a)). For one beneficiary-service, the State agency paid for NEMT services provided on a date that the beneficiary did not obtain needed medical care. Although the transportation providers' documentation showed that the beneficiary was transported to an authorized medical care provider, the provider stated that it did not provide medical care to the beneficiary on the date the transportation was provided. We disallowed the payment for this beneficiary-service.

Service Was Improperly Billed as a Night Call Service

"Night call" services are provided from 7:00 p.m. to 7:00 a.m. and are reimbursed an additional amount above the standard service rate (22 CCR § 51527(b)(3)). For one beneficiary-service, the State agency paid for an NEMT service that was improperly billed as a night call service. The transportation provider's documentation showed that the service was provided outside the night call period. We allowed the payment for the transportation service but disallowed the additional night call payment.

TRANSPORTATION PROVIDERS DID NOT ALWAYS MAINTAIN DOCUMENTATION FOR DRIVERS AND VEHICLES ASSOCIATED WITH NONEMERGENCY MEDICAL TRANSPORTATION SERVICES

Transportation providers that use litter and wheelchair vans to provide NEMT services must maintain records indicating that their drivers comply with State requirements to operate those vehicles. Litter and wheelchair van drivers must possess a current California driver's license, first aid certification, and evidence that they passed a medical examination within the past 2 years (22 CCR §§ 51231.1(a)(1) and 51231.2(a)(1)). Transportation providers' records must also include the provider-assigned vehicle identification codes (22 CCR § 51476(e)(3)) identifying the vehicles used to transport Medicaid beneficiaries.

For 12 beneficiary-services, transportation providers did not always maintain documentation for drivers and vehicles associated with NEMT services. For all 12 beneficiary-services, the transportation providers did not maintain driver qualification records to show that their drivers complied with State requirements for operating the vehicles used. Specifically, for

⁶ For claims that did not require prior authorization, we determined the lowest cost type of medical transportation adequate for the beneficiaries' needs and the corresponding procedure codes with the assistance of State medical professionals.

⁷ The payment rates for ambulance services are approximately three to six times higher than the payment rates for wheelchair and litter van services.

10 beneficiary-services, the transportation providers did not have the following records for the drivers providing services:

- medical examination records (7 beneficiary-services),
- first aid certification records (6 beneficiary-services), and
- driver's license records (5 beneficiary-services).⁸

For the remaining two beneficiary-services, the transportation providers did not have all supporting documentation for the reimbursed services, including driver qualification records identifying the drivers and records identifying the vehicles used to provide the services.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$375,665 to the Federal Government,
- educate transportation providers to ensure that they follow Federal and State requirements for billing NEMT services, and
- educate transportation providers to ensure that they follow State requirements for maintaining documentation for drivers and vehicles associated with NEMT services.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency partially agreed with our first recommendation. The State agency agreed with our second and third recommendations and provided information on actions that it planned to take to address our recommendations.

The State agency agreed that six sampled beneficiary-services did not comply with Federal and State requirements. Our draft report included a finding that, for one sampled beneficiary-service, the State agency paid for an NEMT service provided on a date that was not authorized on the approved TAR. The State agency disagreed with our finding, stating that upon further review of the beneficiary's medical record, it was able to confirm medical necessity for an additional day of service.

The State agency's comments are included as Appendix F. We did not include the State agency's copy of an approved TAR because it contained personally identifiable information.

⁸ The total exceeds 10 beneficiary-services because, for 5 beneficiary-services, the transportation providers did not have more than 1 type of driver qualification record.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency's comments, we removed our finding that the State agency paid for an NEMT service provided on a date that was not authorized on the approved TAR. We also revised the amount of our recommended refund.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>California Claimed Medicaid Reimbursement for Some Nonemergency Medical Transportation Services in Los Angeles County That Did Not Comply With Federal and State Requirements</i>	<u>A-09-12-02083</u>	6/24/2014
<i>Hawaii Claimed Unallowable Medicaid Reimbursement for Nonemergency Medical Transportation Services Furnished by Taxi Providers</i>	<u>A-09-11-02047</u>	5/22/2012
<i>Review of Medicaid Payments for Nonemergency Medical Transportation Services Claims Submitted by Providers in New York State</i>	<u>A-02-09-01024</u>	2/13/2012
<i>Review of Medicaid Payments for Nonemergency Medical Transportation Services Claims Submitted by Providers in New York City</i>	<u>A-02-08-01017</u>	11/30/2011
<i>Review of Costs Claimed by the State of Nebraska for Non-Emergency Medical Transportation Services Provided by Shared Mobility Coach</i>	<u>A-07-10-04172</u>	7/22/2011
<i>Review of Nonemergency Medical Transportation Costs in the State of Texas (Transportation Provided by the League of United Latin American Citizens – Project Amistad)</i>	<u>A-06-09-00090</u>	10/22/2010
<i>Review of Nonemergency Medical Transportation Costs in the State of Texas (Transportation Provided by Capital Area Rural Transit System)</i>	<u>A-06-08-00096</u>	6/15/2010

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

We limited our review to Medicaid fee-for-service claims paid to medical transportation providers in California for NEMT services from July 1, 2010, through June 30, 2011. We excluded claims (1) paid to medical transportation providers in Los Angeles County and (2) with beginning dates of service on or before June 30, 2010. Our review included services that both required and did not require prior authorization.

After taking into account the excluded claims, there were 1,873,502 NEMT fee-for-service claims paid to California providers. For our review, we grouped the claims into beneficiary-services. A beneficiary-service represented all paid claims for NEMT services provided to one beneficiary on the same beginning and ending dates of service. We removed any beneficiary-services for which the total amount paid was zero or negative. From a total of \$61,770,444 (\$36,712,964 Federal share) that the State agency claimed for 821,802 beneficiary-services, we reviewed a random sample of 100 beneficiary-services.

We did not review the overall internal control structure of the State agency or the Medicaid program. Rather, we limited our review of internal controls to those that were significant to the objectives of our audit.

We conducted fieldwork at the State agency's offices in Sacramento and San Diego, California; the fiscal agent's office in West Sacramento, California; and 40 transportation providers' locations in California. We also contacted 12 medical care providers in California.

METHODOLOGY

To accomplish our objectives, we:

- reviewed applicable Federal and State laws, regulations, and guidance;
- obtained an overview of NEMT services from CMS officials;
- interviewed State agency officials regarding eligibility requirements and prior authorization for NEMT services, service delivery, and reporting of NEMT expenditures on the CMS-64;
- interviewed the State agency's fiscal agent to obtain information on the claim adjudication process;
- obtained data files from the State agency's fiscal agent for all fee-for-service claims paid for NEMT services from July 1, 2010, through June 30, 2011;
- reconciled the claim data with the NEMT expenditures reported on the CMS-64;

- created a sampling frame that contained 821,802 beneficiary-services, totaling \$61,770,444 (\$36,712,964 Federal share);
- selected from the sampling frame a simple random sample of 100 beneficiary-services for which we:
 - reviewed TARs maintained by the State agency to determine which NEMT services the transportation providers were authorized to provide and approved dates of service,
 - interviewed transportation providers (if available) and reviewed the providers' documentation (e.g., trip logs and physician orders) to ensure that NEMT services were provided as authorized by the State agency and that the services were properly documented,
 - compared the dates of the NEMT services with the dates of other medical services billed to Medicare and Medicaid to verify that the beneficiaries obtained medical care on the dates that NEMT services were provided (and in some cases) contacted medical providers for confirmation,
 - worked with the State agency's nurse evaluators from the TAR office to determine the lowest cost type of transportation that was adequate for beneficiaries' medical needs for services exempt from the prior authorization requirement,
 - determined whether the NEMT services complied with Federal and State requirements and the allowability of the State agency's payments, and
 - estimated the unallowable Federal Medicaid reimbursement;
- determined whether the transportation providers associated with the 100 sampled beneficiary-services complied with State regulations by reviewing:
 - driver qualification records (i.e., medical examinations, driver's license records, and first aid certifications) and
 - vehicle records (e.g., vehicle schedules and registration documents); and
- discussed our findings with State agency officials.

See Appendix C for the details of our statistical sampling methodology and Appendix D for our sample results and estimates.

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 objectives.

APPENDIX C: STATISTICAL SAMPLING METHODOLOGY

POPULATION

The population consisted of all Medicaid fee-for-service claims paid to California providers for NEMT services from July 1, 2010, through June 30, 2011.

SAMPLING FRAME

For our audit period, there were 4,149,458 NEMT claims paid to California providers totaling \$124,924,688 (\$74,682,821 Federal share). From these claims, we removed:

- 1,919,440 claims paid to medical transportation providers in Los Angeles County, California, and
- 356,516 claims with beginning dates of service on or before June 30, 2010.

From the remaining 1,873,502 NEMT claims, we created a sampling frame of beneficiary-services by grouping the claims based on the Medicaid beneficiary identification number and beginning and ending dates of service. We removed from the sampling frame 167 beneficiary-services for which the total amount paid was zero or negative, which resulted in a sampling frame of 821,802 beneficiary-services (representing 1,873,073 NEMT claims), totaling \$61,770,444 (\$36,712,964 Federal share).

SAMPLE UNIT

The sample unit was a beneficiary-service, which included paid claims for all NEMT services provided to a beneficiary on the same beginning and ending dates of service.

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

We selected a sample of 100 beneficiary-services.

SOURCE OF RANDOM NUMBERS

We used the OIG, Office of Audit Services (OAS), statistical software to generate the random numbers.

METHOD OF SELECTING SAMPLE UNITS

We consecutively numbered the sample units in the frame from 1 to 821,802. After generating 100 random numbers, we selected the corresponding frame items.

ESTIMATION METHODOLOGY

We used the OIG/OAS statistical software to estimate the unallowable Federal Medicaid reimbursement paid by applying the applicable FMAP to the payments for NEMT services that we determined did not comply with Federal and State requirements.

APPENDIX D: SAMPLE RESULTS AND ESTIMATES

Table 1: Sample Results

Frame Size	Value of Frame (Federal Share)	Sample Size	Value of Sample (Federal Share)	Number of Improper Payments	Value of Improper Payments (Federal Share)
821,802	\$36,712,964	100	\$4,333	6	\$229

Table 2: Estimates of Unallowable Federal Reimbursement for Nonemergency Medical Transportation Services (Federal Shares)
(Limits Calculated for a 90-Percent Confidence Interval)

Point estimate	\$1,507,823
Lower limit	375,665
Upper limit	3,391,311

APPENDIX E: FEDERAL AND STATE REQUIREMENTS FOR NONEMERGENCY MEDICAL TRANSPORTATION SERVICES AND PROVIDERS

FEDERAL REQUIREMENTS

Transportation Definition

Federal regulations state that transportation “includes expenses for transportation and other related travel expenses determined to be necessary by the agency to secure medical examinations and treatment for a [beneficiary]” (42 CFR § 440.170(a)(1)).

State Plan Requirements

The Act, § 1902(a)(27), requires a State plan for medical assistance to:

provide for agreements with every person or institution providing services under the State plan under which such person or institution agrees (A) to keep such records as are necessary fully to disclose the extent of the services provided to individuals receiving assistance under the State plan, and (B) to furnish the State agency or the Secretary with such information, regarding any payments claimed by such person or institution for providing services under the State plan, as the State agency or the Secretary may from time to time request.

Federal regulations state: “A State plan must— (a) Specify that the Medicaid agency will ensure necessary transportation for [beneficiaries] to and from providers; and (b) Describe the methods that the agency will use to meet this requirement” (42 CFR § 431.53).

Documentation Requirements

CMS’s *State Medicaid Manual* (the Manual) directs States to “[r]eport only expenditures for which all supporting documentation, in readily reviewable form, has been compiled and which is immediately available when the claim is filed” (the Manual, chapter 2, § 2500.2.A.). The Manual specifies that “supporting documentation includes as a minimum the following: date of service, name of [beneficiary], Medicaid identification number, name of provider agency and person providing the service, nature, extent, or units of service, and the place of service” (the Manual, chapter 2, § 2500.2.A.).

STATE REQUIREMENTS

Definition of Nonemergency Medical Transportation Services

State regulations define NEMT as “transportation by ambulance, litter van and wheelchair van of the sick, injured, invalid, convalescent, infirm or otherwise incapacitated persons whose medical conditions require medical transportation services but do not require emergency services or equipment during transport” (22 CCR § 51151.7).

According to State regulations: “Ambulance, litter van and wheelchair van medical transportation services are covered when the beneficiary’s medical and physical condition is such that transport by ordinary means of public or private conveyance is medically contraindicated, and transportation is required for the purpose of obtaining needed medical care” (22 CCR § 51323(a)).

Lowest Cost Requirement

According to State regulations: “Authorization shall be granted or [Medicaid] reimbursement shall be approved only for the lowest cost type of medical transportation that is adequate for the patient’s medical needs, and is available at the time transportation is required” (22 CCR § 51323(b)).

Prior Authorization Requirements

According to State regulations (22 CCR § 51323(b)(2)):

All nonemergency medical transportation, necessary to obtain program covered services, requires a physician’s, dentist’s or podiatrist’s prescription and prior authorization except ... (C) Nonemergency transportation services are exempt from prior authorization when provided to a patient being transferred from an acute care hospital immediately following a stay as an inpatient at the acute level of care to a skilled nursing facility or an intermediate care facility licensed pursuant to Section 1250 of the Health and Safety Code.

State regulations define prior authorization as “authorization granted by a designated [Medicaid program] consultant or by a Primary Care Case Management (PCCM) plan and is obtained through submission and approval of a TAR” (22 CCR § 51003(a)). In addition, according to State regulations: “Any provider who prescribes a service shall not sign a [TAR] until the patient has been examined and all of the following information appears on the TAR: (a) Beneficiary identification; (b) Provider identification; (c) Diagnosis and other pertinent medical information; and (d) Service or item requested” (22 CCR § 51456).

Documentation Requirements

State regulations (22 CCR §§ 51476(a) and (e)) require the following:

- (a) Each provider shall keep, maintain, and have readily retrievable, such records as are necessary to fully disclose the type and extent of services provided to a [Medicaid program] beneficiary. Required records shall be made at or near the time at which the service is rendered. Such records shall include, but not be limited to the following:
 - (1) Billings.
 - (2) Treatment authorization requests.
 - (3) All medical records, service reports, and orders prescribing treatment plans.

(4) Records of medications, drugs, assistive devices, or appliances prescribed, ordered for, or furnished to beneficiaries

(e) Records of medical transportation providers shall include, in addition to (a):

- (1) Time and date of service for each beneficiary.
- (2) Odometer readings at each pick-up and delivery location.
- (3) The provider assigned vehicle identification code and name of the operator providing the service.
- (4) Names of beneficiaries transported in total or partial group runs.

Driver Qualification Requirements

State regulations (CCR §§ 51231.1(a)(1) and 51231.2(a)(1)) specify that litter vans or wheelchair vans must be operated by a certified driver and an attendant who:

- (A) Possess a current California driver's license or a current California Ambulance Driver Certificate issued by the State Department of Motor Vehicles.
- (B) Be at least 18 years of age.
- (C) Possess at least a current American Red Cross Standard First Aid and Personal Safety Certificate or equivalent.
- (D) Have passed a physical examination within the past two years and possess a current Department of Motor Vehicle form DL-51, Medical Examination Report, which is specifically incorporated herein by reference.

APPENDIX F: STATE AGENCY COMMENTS



State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

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

Dear Ms. Ahlstrand:

The California Department of Health Care Services (DHCS) has prepared its response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG) draft report entitled *California Claimed Medicaid Reimbursement for Some Nonemergency Medical Transportation Services That Did Not Comply with Federal and State Requirements*.

DHCS appreciates the work performed by OIG and the opportunity to respond to the draft report. Please contact Ms. Sarah Hollister, Audit Coordinator, at (916) 650-0298 if you have any questions.

Sincerely,

[Toby Douglas]

Toby Douglas
Director

Enclosure

1501 Capitol Avenue, Suite 71.6001, MS 0000 • P.O. 997413 • Sacramento, CA 95899-7413
(916) 440-7400 • (916) 440-7404 FAX
Internet address: www.dhcs.ca.gov

Ms. Lori A. Ahlstrand
Page 2

cc: Karen Johnson, Chief Deputy Director
Department of Health Care Services
1501 Capitol Avenue, MS 0000
P.O. Box 997413
Sacramento, CA 95899-7413

Mari Cantwell, Chief Deputy Director
Department of Health Care Services
1501 Capitol Avenue, MS 0000
P.O. Box 997413
Sacramento, CA 95899-7413

Rene Mollow, Deputy Director
Health Care Benefits and Eligibility
Department of Health Care Services
1501 Capitol Avenue, MS 4000
P.O. Box 997413
Sacramento, CA 95899-7413

Laurie Weaver, Chief
Benefits Division
Department of Health Care Services
1501 Capitol Avenue, MS 4600
P.O. Box 997413
Sacramento, CA 95899-7413

**Department of Health Care Services Response to the
Office of Inspector General's Draft Report Entitled:
California Claimed Medicaid Reimbursement for Some Nonemergency
Medical Transportation Services That Did Not Comply with Federal and
State Requirements**

Finding #1: The state agency paid for some nonemergency medical transportation services that did not comply with federal and state requirements.

The State agency paid for some NEMT services that did not comply with Federal and State requirements. For seven beneficiary-services, the State agency paid for services that were not supported by sufficient documentation, for services that were not the lowest cost type of medical transportation adequate for the beneficiaries' medical needs, for a service provided on a date that the beneficiary did not obtain needed medical care, for a service provided on a date that was not authorized on the approved TAR, and for a service that was improperly billed as a night call service. Using sample results, the OIG estimated that the State agency claimed at least \$454,097 in unallowable Federal reimbursement.

Recommendation 1: The OIG recommends DHCS refund \$454,097* to the Federal Government

Response: DHCS partially agrees with the recommendation.

DHCS agrees that for six of the seven beneficiary-services, the State agency paid for service(s) determined by the OIG to be:

- not supported by sufficient documentation;
- not the lowest cost type of medical transportation adequate for the beneficiaries' medical needs;
- provided on a date that the beneficiary did not obtain needed medical care; and
- improperly billed as a night call service.

However, DHCS disagrees with the OIG finding that NEMT services provided to Sample # 56 did not comply with State and Federal requirements. The State's position is based on further review of the beneficiary's medical record from which DHCS's Medi-Cal utilization review staff was able to confirm medical necessity for the additional day of service. A copy of the approved TAR is included for the OIG's consideration.

Recommendation 2: The OIG recommends DHCS educate transportation providers to ensure that they follow Federal and State requirements for billing NEMT services.

Response: DHCS agrees with the recommendation.

* **OIG Note:** In our final report, we revised the recommended refund amount.

DHCS will review all NEMT resources available to Medi-Cal providers (Medi-Cal Provider Manual, provider bulletins, etc.) and will coordinate with its Fiscal Intermediary (FI) to provide updates to such resources as needed. DHCS will also work with its FI to develop provider education tools (targeted trainings, etc.) specific to Federal and State requirements for billing NEMT services. DHCS expects to accomplish this no later than June 30, 2015.

Finding #2: Transportation providers did not always maintain documentation for drivers and vehicles associated with nonemergency medical transportation services.

Transportation providers that use litter and wheelchair vans to provide NEMT services must maintain records indicating that their drivers comply with State requirements to operate those vehicles. Litter and wheelchair van drivers must possess a current California driver's license, first aid certification, and evidence that they passed a medical examination within the past 2 years (22 CCR §§ 51231.1(a)(1) and 51231.2(a)(1)). Transportation providers' records must also include the provider-assigned vehicle identification codes (22 CCR § 51476(e)(3)) identifying the vehicles used to transport Medicaid beneficiaries.

For 12 beneficiary-services, transportation providers did not always maintain documentation for drivers and vehicles associated with NEMT services. For all 12 beneficiary-services, the transportation providers did not maintain driver qualification records to show that their drivers complied with State requirements for operating the vehicles used. Specifically, for 10 beneficiary-services, the transportation providers did not have the following records for the drivers providing services:

- Medical examination records (7 beneficiary-services),
- First aid certification records (6 beneficiary-services), and
- Driver's license records (5 beneficiary-services).⁸

For the remaining two beneficiary-services, the transportation providers did not have all supporting documentation for the reimbursed services, including driver qualification records identifying the drivers and records identifying the vehicles used to provide the services.

Recommendation 3: The OIG recommends DHCS educate transportation providers to ensure that they follow Federal and State requirements for maintaining documentation for drivers and vehicles associated with NEMT services.

Response: DHCS agrees with the recommendation.

DHCS will review all NEMT resources available to Medi-Cal providers (Medi-Cal Provider Manual, provider bulletins, etc.) and will coordinate with its Fiscal Intermediary (FI) to provide updates to such resources as needed. DHCS will also work with its FI to develop provider education tools (targeted trainings, etc.) specific to Federal and State requirements for maintaining documentation for drivers and vehicles associated with NEMT services. DHCS expects to accomplish this no later than June 30, 2015.