

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 17-I-04HT

September 2017



## DEPARTMENT OF HEALTH CARE FINANCE

### INSPECTION OF THE NON-EMERGENCY MEDICAL TRANSPORTATION PROGRAM



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**OIG****Why the OIG Did This Inspection**

DHCF administers an annual contract of approximately \$28,000,000<sup>1</sup> which MTM coordinates the provision of non-emergency medical transportation (NET) services to Medicaid beneficiaries in the District. For this contract to meet the District's needs, the contract must be cost-effective, competitively bid, and include certain cost- and performance-related provisions, and DHCF must ensure the contractor provides services in accordance with contract requirements.

The objectives of this inspection were to: evaluate the District's contract with MTM against best practices, relevant criteria, and OCP requirements; identify recommendations for strengthening the effectiveness and sufficiency of the contract; and determine whether DHCF maintains proper oversight of contract deliverables.

**What the OIG Recommends**

This report presents six recommendations to improve DHCF's contract for NET services and to strengthen DHCF's oversight of the contract.

**DEPARTMENT OF HEALTH CARE FINANCE****Non-Emergency Medical Transportation Program****What the OIG Found**

The OIG inspection team reviewed the Department of Health Care Finance's (DHCF) current contract with Medical Transportation Management, Inc. (MTM) for non-emergency medical transportation (NET) services and DHCF's administration of the contract. Using publically available information and documentation that DHCF and the Office of Contracting and Procurement (OCP) provided, the team assessed whether current contract requirements met the District's needs and whether DHCF maintained proper oversight of the contractor through its review and assessment of required contract deliverables.

The team identified five findings related to the NET contract. Specifically, DHCF: 1) does not place caps on the NET contractor's profits and losses; 2) repeatedly used sole source contracts and extensions, which may have violated District law; 3) may have used prospective payments in its NET contracts; 4) lacks a comprehensive system for critically evaluating MTM using contractually-required reports, and the contract's current, voluminous reporting requirements do not meet DHCF's needs; and 5) could enhance its oversight of MTM through additional audits.

We believe that by implementing a targeted, systematic approach to overseeing contractor performance and improving performance data collection and procurement planning, DHCF can strengthen its administration of the NET program.

<sup>1</sup> The contract was for 3 years with 2 option years. The annual contract rate varies, for example, the first year rate was \$27,780,961.



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



September 29, 2017

Wayne Turnage  
Director  
D.C. Department of Health Care Finance  
441 4th Street, N.W., Suite 900S  
Washington, D.C. 20001

Dear Director Turnage:


Enclosed is our final report entitled *Inspection of the Non-Emergency Medical Transportation Program* (OIG Project No. 17-I-04HT).

We provided DHCF our draft report on August 18, 2017, and received your response on September 15, 2017, which is included as Appendix D of this report. DHCF agreed with four of the report's six recommendations. With regard to the two recommendations that DHCF did not agree with, the OIG commented on DHCF's responses.

During fiscal year 2018, the OIG will follow up on actions DHCF identified as being underway because of this project. To assist the OIG in that regard, please send my Office a copy of DHCF's evaluation of the need to cap broker profits and losses, and the comparative review of how NET contracts are structured in other states, when they are completed. Also, please provide the OIG with an explanation of the strategies DHCF currently employs to effectively plan for future NET procurements. Finally, the OIG will check on DHCF's new process to monitor and track monthly data reporting, and any other written plans or job tools being used to evaluate MTM, as well as the status of DHCF's quarterly audits and annual administrative audits as part of our follow-up program.

We appreciate the cooperation and courtesies extended to our staff during this project. If you have any questions concerning this report, please contact me or Edward Farley, Assistant Inspector General for Inspections and Evaluations, at (202) 727-2540.

Sincerely,

  
Daniel W. Lucas  
Inspector General

DWL/ejf

Enclosure

cc: See Distribution List

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## BACKGROUND

DHCF is the District of Columbia's state Medicaid agency that provides health care services to low-income children, adults, elderly, and persons with disabilities. The mission of DHCF is "to improve health outcomes by providing access to comprehensive, cost-effective and quality healthcare services for residents of the District of Columbia."<sup>2</sup>

The scope of this inspection was limited to fiscal years (FYs) 2014 to 2016, during which time the Office of Contracting and Procurement (OCP), on behalf of DHCF, entered into two sole source agreements and five sole source extensions with MTM, prior to awarding the current, competitively bid contract to MTM on December 26, 2015.<sup>3</sup> The NET program administrator, MTM, coordinates the provision of non-emergency medical transportation services to eligible Medicaid recipients.<sup>4</sup> Under the contract, MTM is paid a capitated rate, which is a fixed fee for each D.C. Medicaid-eligible participant in the NET program, which is paid regardless of the number of trips made by each eligible participant.

## FINDINGS

DHCF provides transportation to eligible Medicaid recipients through its contract with MTM. This contract encompasses an important service and a large amount of money is expended through this contract.

Through incorporating contract efficiencies and critically monitoring MTM's performance and processes, DHCF can potentially save money on this contract, ensure that District recipients receive satisfactory transportation services, and help deter and detect fraudulent activities.

We present five findings addressing issues identified through our review of files and interviews conducted with DHCF and OCP employees. We present six recommendations to: limit the risk of over- or under-payments to the contractor; ensure that NET contracts are competitively bid; strengthen current NET contract oversight and monitoring; and continue and expand the MTM services audits conducted.

## THE NET CONTRACT DOES NOT CAP BROKER PROFIT AND LOSSES

Through the District's contract with MTM, MTM is paid a fixed amount for each eligible Medicaid recipient in the District.<sup>5</sup> MTM's payment rate does not change depending on how

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<sup>2</sup> <https://dhcf.dc.gov/page/about-dhcf> (last visited Feb. 1, 2017).

<sup>3</sup> Prior to July 2007, the Department of Health (DOH) Medical Assistance Administration, Office of Program Operations (MAA-OPO) had responsibility for all phases of the NET Program. On July 20, 2007, OCP awarded a contract, on behalf of DOH, to MTM, which included a base year and four option years.

<sup>4</sup> The total number of eligible Medicaid recipients ranges from 55,000 to 60,000 each month. For each trip request submitted by an eligible Medicaid recipient, MTM matches the recipient with an appropriate transportation provider (i.e., an MTM subcontractor). As part of this process, MTM also determines the most appropriate mode of transportation for the recipient. MTM coordinates transportation for recipients to and from medical service locations using ambulatory vans, wheelchair vans, stretcher vans, taxis, and public transportation.

<sup>5</sup> The number of Medicaid members can change monthly. The price per Medicaid recipient increases slightly each year of the contract, and the number of Medicaid recipients is adjusted monthly to reflect population changes. The

many Medicaid recipients use the District's NET services, and there is no contract provision limiting MTM's monthly profit or loss. Under the current contract structure, MTM assumes the risk that more Medicaid-eligible District residents use NET services than anticipated, but benefits financially if less take advantage of these services.<sup>6</sup> Although it may seem as though the District would only be concerned about overpaying MTM, there could be instances when MTM is not paid enough to cover its costs and underpaying MTM could detrimentally impact the District, e.g., through service disruptions.<sup>7</sup>

MTM is paid pursuant to the provisions written in its contract. A DHCF employee explained that the current payment structure "allows DHCF to better predict and manage our costs . . . [and] it gives the provider a strong incentive to manage its cost." Although the team agrees that the current payment approach allows DHCF to predict costs and provides an incentive for MTM to manage costs, setting this figure at a predetermined rate may result in overpayment to the contractor if the service is underused or underpayment if services are provided more frequently than originally projected.

The team reviewed reports of other jurisdictions' NET programs for best practices regarding MTM's current payment rate structure. A report by the Virginia Joint Legislative Audit and Review Commission recommended implementing a "financial risk corridor," or a provision in the next NET contract that limits the broker's profit and loss over a specific time period, e.g., a month or year.<sup>8</sup> For example, the report mentions that Nevada limits broker profit to 2% and reimburses the broker for 50% of any losses over 5%.<sup>9</sup> In determining the financial risk corridor, the Virginia report suggests that the state agency rely on "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 . . ."<sup>10</sup> Likewise, a report by the South Carolina Legislative Audit Council criticized the state's Department of Health and Human Services (DHHS) for omitting a contract provision that specified the circumstances under which rate adjustments could be made.<sup>11</sup>

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fixed amount per Medicaid recipient was \$22.45 for 2015-16. The amount per intellectually and developmentally disabilities population recipient was \$686.53.

<sup>6</sup> The team reviewed MTM reports and found that in calendar year 2016, there were 1,191,105 authorized trip legs at a cost of between approximately \$27 and \$29 million (one trip leg equates to a one-way trip to or from a medical appointment). This includes both fee-for-service recipients (MTM is paid at a rate of \$22.45 per fee-for-service recipient) and intellectually and developmentally disabilities population recipients (paid at a rate of \$686.53). The team notes that the contract costs are calculated on a fiscal year basis while the number of rides was tallied on a calendar year basis.

<sup>7</sup> For example, a 2015 report found the capitated rate in Virginia was "out of line with actual costs . . . , resulting in financial losses for [its NET contractor] . . ."<sup>7</sup> As a result, rates for this contractor were increased twice to avoid disruptions in service delivery, after the contractor indicated it may not be able to continue providing services under existing rates.

<sup>8</sup> COMMONWEALTH OF VIRGINIA, JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION, REPORT TO THE GOVERNOR AND THE GENERAL ASSEMBLY OF VIRGINIA, PERFORMANCE AND PRICING OF MEDICAID NON-EMERGENCY TRANSPORTATION (Dec. 2015), at 16.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> See Letter from Emma Forkner, Director, State of South Carolina DHHS, to Thomas J. Bardin, Jr., Director, Legislative Audit Council (Mar. 19, 2009), *available at* <https://www.scdhhs.gov/internet/pdf/SCDHHS%20Response%20to%20LAC%20Audit%20of%20Non-emergency%20Transportation%20Program.pdf> (last visited Apr. 19, 2017). In this instance, the South Carolina



A provision in the District's current contract limiting MTM's profit and loss would require a contract modification.<sup>12</sup> If a contract modification is not possible, the District could cap broker profits and losses in future NET contracts, allowing the District to ensure it is paying a rate that is fair both to the District and to the contractor. The contract may not be as cost-effective for the District as it could be and may result in over- or under-payments to the contractor. Overpayments to the contractor cost the District money while underpayments may result in service disruptions.

Therefore, we recommend that DHCF:

- (1) Evaluate the need to cap NET broker profits and losses in future NET contracts (and determine the feasibility of a contract modification for the current contract), to include: 1) obtaining trip and administrative cost data from the broker; 2) verifying the accuracy of these data; 3) developing a financial risk corridor that meets the District's needs; and 4) periodically comparing trip and administrative costs against revenue received by the broker under the contract.

Agree       X       Disagree                     

***DHCF's September 2017 Response, As Received:*** DHCF agrees with DC OIG's finding that steps should be taken to evaluate the need to cap broker profits and losses with respect to current and future NET contracts, including a comparative review of how NET contracts are structured in other states. DHCF has already taken steps to obtain trip and administrative cost data from the NET Contractor to assist with this analysis, and is exploring the feasibility of a contract amendment with the DC Office of Contracts and Procurement (OCP).

## THE DISTRICT'S REPEATED USE OF SOLE SOURCE CONTRACTS AND EXTENSIONS WITH MTM MAY HAVE VIOLATED DISTRICT LAW

Although the District's current contract with MTM was competitively bid, the table on the next page outlines historical information showing two sole source awards and five sole source extensions issued during FY 2014 to FY 2016:

DHHS increased broker rates without a formal, written agreement, after discovering a data error made in the procurement process.

<sup>12</sup> In the District, DHCF advises OCP on contract requirements, and OCP incorporates these requirements in the contract.

**Table 1. NET Program Contract Actions**

| <b>Contract Action</b>     | <b>Cost</b>  | <b>Effective Date</b>   | <b>Expiration Date</b> |
|----------------------------|--------------|-------------------------|------------------------|
| Sole Source Award          | \$23,747,496 | 3/15/2013               | 3/14/2014              |
| Sole Source Award          | \$17,982,741 | 3/15/2014 <sup>13</sup> | 12/14/2014             |
| Sole source extension 1    | \$6,804,062  | 12/15/2014              | 3/14/2015              |
| Sole source extension 2a   | \$443,743    | 3/15/2015               | 3/20/2015              |
| Sole source extension 2b   | \$6,360,319  | 3/21/2015               | 6/14/2015              |
| Sole source extension 3    | \$13,608,124 | 6/15/2015               | 12/14/2015             |
| Sole source extension 4    | \$976,235    | 12/15/2015              | 12/25/2015             |
| Competitively bid contract | \$85,225,477 | 12/26/2015              | 12/14/2018             |

Within this timeframe, OCP disbanded its 2013 solicitation effort and reissued a request for proposals in 2014, ultimately resulting in the December 26, 2015, award to MTM. The team could not identify the reason for the 2013 cancellation.

In a protest<sup>14</sup> filed to, and reviewed by, the Contract Appeals Board (CAB), a protestor noted that the District did not have adequate justification to continue the use of sole source contracts because “there were multiple vendors available for the award . . . at the time the contracts were awarded . . . ,” the District had almost 4 years to conduct a contract solicitation, and the continued use of sole source contracts limited competition. Further, the District and OCP knew, or should have known, when the contract would expire before the contract’s expiration.

Title 42 CFR § 440.170(a)(4)(i)(A), applicable to NET brokerage programs,<sup>15</sup> provides that a state may contract for non-emergency transportation services and the contractor must be “selected through a competitive bidding process that is consistent with 45 CFR 75.326 through 75.340<sup>16</sup> and is based on the State’s evaluation of the broker’s [contractor’s] experience, performance, references, resources, qualifications, and costs.” Federal guidance in the Centers for Medicare & Medicaid Services State Medicaid Director Letter (SMDL) #06-009 (Mar. 31, 2006) similarly states: “brokerage programs must be cost-effective in order to comply with section 1902(a)(70), and States must select [] brokers through a competitive procurement process.” In addition, 27 DCMR § 1700.3 states, in part, that sole source contracts shall not be justified on the basis of lack of adequate advance planning for the procurement of the required good or service, delays in the procurement caused by administrative delays, lack of sufficient procurement personnel, or improper handling of procurement requests or competitive procedures.

<sup>13</sup> On August 12, 2014, a contract modification changed the amount to \$17,982,741 from \$11,952,494.

<sup>14</sup> This protestor requested dismissal of the protest, and the Contract Appeals Board ultimately dismissed the protest without prejudice.

<sup>15</sup> Title 42 CFR § 440.170(a)(4) states that, “a State plan may provide for the establishment of a non-emergency medical transportation brokerage program in order to more cost-effectively provide non-emergency medical transportation services for individuals eligible for medical assistance under the State plan who need access to medical care or services, and have no other means of transportation.”

<sup>16</sup> We note that 45 C.F.R. Part 75 became effective December 26, 2014. Substantially similar regulations preceded these regulations and were found at 45 C.F.R. Part 92.

Both federal and District law set forth conditions in which procurement by noncompetitive proposals may occur. In accordance with 45 C.F.R. § 75.329(f), procurement by solicitation from only one source may occur when one or more of the following conditions exist: (1) the item is only available from a single source; (2) the public exigency or emergency for the requirement will not permit the delay created by competitive solicitation; (3) the awarding federal agency authorizes the noncompetitive procurement; or (4) competition is determined inadequate after solicitation from a number of sources.

District law sets forth the requirements for sole source procurement at D.C. Code § 2-354.04 and permits noncompetitive contracts where there is only one source that can provide the required good or service. The statute further mandates that the Chief Procurement Officer issue a written determination finding the procurement justified, and that proper public notice is given prior to award.

The exact reason for the continued use of sole source contracts was difficult to determine during the course of this inspection because the employees who worked at DHCF during the time of the sole source contracts had since left DHCF employment. A February 2014 Determination and Finding (D&F)<sup>17</sup> noted that a sole source contract was being used because, due to time constraints, it was not feasible to conduct a competitive procurement and award a contract prior to the expiration date of the contract. This document states “[t]he Sole Source award ensure[s] continuation of service while OCP finalizes the new Request for Proposal for posting on OCP’s E-Sourcing for a competitive bidding process . . . .”

A sole source or emergency contract prevents competition, and when District and federal laws governing their use are not followed, the District is placed at risk of hiring a contractor who cannot provide the best services at the best price.

Therefore, we recommend that DHCF:

- (2) Effectively plan for future NET procurements by implementing a NET program procurement strategy that establishes well-defined milestone completion dates well in advance of contract expiration to ensure adequate time for competitively bidding future contracts.

Agree<sup>18</sup> \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHCF’s September 2017 Response, As Received:*** Noting that the finding refers to actions taken by OCP in accordance with its exclusive procurement authority for goods and services provided to DHCF, DHCF cannot opine on the legality of the District’s Chief Procurement Officer’s (CPO) actions in connection with this procurement.

<sup>17</sup> D&F “means a form of written approval and detailed explanation as a prerequisite to taking certain contract actions, including the rationale for the method of procurement, the selection of contract type, contractor selection, and the basis for contract price.” D.C. Code § 2-351.04 (Lexis current through June 15, 2017).

<sup>18</sup> DHCF did not indicate “agree” or “disagree” for this recommendation, but the OIG considers DHCF’s response to be one of agreement.

*DHCF agrees that it is important to effectively plan for future NET procurements. DHCF currently uses multiple strategies to ensure there is adequate time for planning for competitive contracts.*

## **PROSPECTIVE PAYMENTS TO THE NET CONTRACTOR POTENTIALLY COST THE DISTRICT INTEREST**

The team reviewed the contract and spoke with several DHCF and OCP employees and learned that MTM appears to be paid prospectively under the contract. Section G.4.1.2 of the contract requires that: “The District shall disburse Capitated payments prospectively on the first of each month in which services are to be delivered to Recipients.” The team noted that one OCP employee who is familiar with this contract provided conflicting information to the team when advising that MTM is not paid prospectively, and that services must be performed prior to payment.<sup>19</sup> The team was not able to verify this assertion, and notes that other DHCF employees stated that MTM is paid prospectively, but some doubt remains regarding the timing of the payment to MTM.

The team reviewed reports that evaluated NET programs in other jurisdictions for best practices regarding MTM’s current contract payment timing. The South Carolina Legislative Audit Council found that payments should be made approximately 1 week after the NET service month ends (not at the beginning of the service month),<sup>20</sup> to decrease the “opportunity cost” to the state and allow the state to potentially place the money in an interest-bearing account and receive interest on that money during the course of the month.

MTM is paid pursuant to the provisions written in its contract. A DHCF employee explained the reason for the prospective payment to MTM as: “a prospective, capitated payment enables MTM to maintain capacity to serve beneficiaries even in the face of fluctuating demand . . . .” This employee further noted that “MTM may be faced with uncertainties about their revenues or income from DHCF, under a retrospective approach. The uncertainty in payment could in-turn impact MTM’s cash flow projections and lead to operational decision making that could impact access to services.” The team disagrees and notes that the District could potentially benefit from placing that money in an interest-bearing account during the course of the month, with MTM assured that it will be paid at the end of each month after service is delivered to NET recipients.

Although paying a contractor prospectively for the first couple of months in a contract may make sense to ensure that the contractor has adequate cash flow, this type of payment timing does not appear cost-effective for the District.

The District loses interest monthly by paying the contractor prospectively. For example, a report by the South Carolina Legislative Audit Council assumed a 3% interest rate and determined that

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<sup>19</sup> If MTM is not paid prospectively, this payment timing would violate contract terms.

<sup>20</sup> SOUTH CAROLINA GENERAL ASSEMBLY LEGISLATIVE AUDIT COUNCIL, A REVIEW OF THE NON-EMERGENCY MEDICAL TRANSPORTATION PROGRAM OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (Mar. 2009), at 20. In this instance, the contract required payment to the broker after services were completed, and did not specify that the broker should be paid prospectively as the District’s contract requires.

early payments cost the federal government and South Carolina approximately \$365,000 over a 3-year period.<sup>21</sup>

Therefore, we recommend that DHCF:

- (3) Collaborate with OCP to determine whether MTM is paid prospectively and draft future NET contracts to require payment to the NET contractor after services are completed.

Agree \_\_\_\_\_ Disagree     X    

***DHCF's September 2017 Response, As Received:*** *DHCF disagrees with this finding. Payments to MTM under the terms of the contract are based upon a capitation methodology. Using the capitation payment method, the vendor is paid prospectively on a per enrollee, per month basis. Paying prospectively on a capitated basis is an industry standard and achieves several objectives. First, it fixes the per member cost of the contract. This gives the buyer greater certainty over spending and shifts the risk of increased costs to the seller. Second, paying prospectively ensures that the seller has the funds upfront to pay for and provide the services. The benefits of using a capitated payment system far outweigh the benefit of collecting the small amount of interest that would be earned if the District were to adopt a retrospective capitated payment methodology.*

**OIG Comment:** The OIG disagrees with DHCF's assertion that it is not feasible to pay a contractor retrospectively while also utilizing capitated rates. For example, a review of the South Carolina Legislative Audit Council found that payments should be made approximately one week after the NEMT service month ends (not at the beginning of the service month),<sup>22</sup> to decrease the "opportunity cost" to the State and allow the State to potentially place the money in an interest-bearing account and receive interest on that money during the course of the month.

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<sup>21</sup> *Id.* The South Carolina contract includes payments to the brokers of approximately \$140 million for a 3-year period, or payments of approximately \$3.9 million monthly. *Id.* at 11.

<sup>22</sup> In this instance, the contract required payment to the broker after services were completed and did not specify that the broker should be paid prospectively as the District's contract requires. *See* [http://dc.statelibrary.sc.gov/bitstream/handle/10827/2278/LAC\\_A\\_Review\\_of\\_the\\_Non-Emergency\\_Medical\\_Transportation\\_2009.pdf?sequence=1&isAllowed=y](http://dc.statelibrary.sc.gov/bitstream/handle/10827/2278/LAC_A_Review_of_the_Non-Emergency_Medical_Transportation_2009.pdf?sequence=1&isAllowed=y) (last visited Sept. 19, 2017).



## **DHCF LACKS A COMPREHENSIVE SYSTEM FOR CRITICALLY EVALUATING MTM USING CONTRACTUALLY-REQUIRED REPORTS**

The team found that for the most part, MTM is submitting contractually-required deliverable reports to DHCF.<sup>23</sup> Even though DHCF generally receives the required reports, the team also found that they are voluminous and generally not used in a way that is helpful in monitoring MTM. Further, some reports contain valuable information while others contain information that may not be helpful in evaluating MTM or are duplicative.

DHCF employees do not currently have a comprehensive process to distinguish what information is important from these reports, eliminate reports that are too lengthy to allow the reader to critically evaluate the information contained therein, and critically evaluate information contained in the remaining reports. Further, some of these reports are sent in a format that may not be helpful to DHCF (e.g., complaints tallied by calendar year, and not fiscal year).

A DHCF employee primarily analyzes the reports to evaluate the contractor against contractually-required performance measures, specifically MTM's complaint ratio. The team independently analyzed MTM's complaint ratio and a sample of deliverable data to determine whether MTM met contractually-required performance measures (see Appendix B for a list of contractually-required performance measures). The team found instances when MTM did not meet performance requirements<sup>24</sup> and instances when its performance could not be assessed from the information available.

Title 42 CFR § 440.170(a)(4)(i)(B) mandates that the State provide proper "oversight procedures to monitor [NET] beneficiary access and complaints and ensure that transportation is timely and that transport personnel are licensed, qualified, competent, and courteous." As a means to provide contractor oversight, Section F.3 of the District's contract with MTM requires MTM provide DHCF with certain operational contract deliverables (i.e., reports) for DHCF to ensure adequate contractor performance. Further, starting in December 2015, MTM's contract contained contractually-required performance standards (these provisions were not present in prior iterations of DHCF's contract with MTM).

DHCF currently employs one full-time equivalent (FTE), who functions as the contract administrator (CA) and spends approximately 50 percent of his/her time monitoring this contract. This is a large contract with limited internal resources devoted to oversight. This employee also spends time responding to, referring, and following up on complaints DHCF receives directly

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<sup>23</sup> A DHCF employee noted that MTM sent some of these reports to DHCF in response to the OIG request. The team also ascertained that at times, these reports were missing some contractually-required information or were not sent with the frequency required under the contract. The team identified 14 reports that were missing some required information and 4 reports that were not sent as frequently as the contract required.

<sup>24</sup> The team evaluated performance measures separately for both the Intellectual and Developmental Disability and general populations and recognizes that the contract does not state that performance measures should be evaluated separately for these populations. However, the information in the MTM-provided reports was broken down by the IDD and general population and thus delineates the information for each population (and some of this information could not be aggregated across the populations, e.g., because there was only the percentage information present in the reports and not the actual underlying data for some measures). Some of the measures that appeared to fall below performance standards may meet performance standards when the data are aggregated across the two populations.

about MTM or MTM-subcontractor performance. This individual should refer service-related complaints to MTM for resolution, per the contract<sup>25</sup> and instead devote his/her time to evaluating MTM contract performance and compliance by analyzing performance data and deliverables.

With limited time available to review performance data and contract deliverables, the CA needs an efficient and effective methodology for assessing MTM's performance. The team could not identify a process that DHCF uses to review contractually-required reports to assess MTM's performance. DHCF should rethink and revise how to evaluate MTM and identify the information needed to produce an efficient, robust assessment. For example, the South Carolina Legislative Audit Council found that the South Carolina Department of Health and Human Services creates a Transportation Broker Report Card from monthly reports of performance measures, which allows for comparison and trend analyses.<sup>26</sup> Even with a strategy in place, the team notes that the deliverable reports are large and voluminous. These reports could be streamlined to focus on overall contractor costs and performance. Further, DHCF may want to consider using computer-based metrics and/or statistics to automatically assess data received from MTM to identify trends and outliers.

Regarding performance measures, a DHCF employee was not aware of instances where MTM had not met performance measures or where DHCF lacked information to evaluate MTM's performance. The CA is currently tracking MTM's monthly complaint data in an Excel file. The performance measure review process, like the deliverable review process, may be enhanced through the use of statistical software or other tracking mechanism to automate the review and assessment of MTM's performance measures. The CA may also be able to collaborate with the Division of Program Integrity (DPI)<sup>27</sup> to create a mechanism to streamline the assessment of these performance measures on a monthly or annual basis and create a consistent methodology of contract performance oversight.

The potential for poor performance and fraudulent activity in NET contracts is large as can be seen in media articles.<sup>28</sup> Currently, the District expends a considerable amount of money on a large NET contract with ineffective oversight. Without targeted, effective oversight, the District may be unaware of questionable payments, fraudulent claims, and poor service under this contract. Holding MTM accountable for transportation provider performance could lower complaint rates, reduce the number of unfulfilled trips, and help ensure reliable and satisfactory service. Additionally, although the District has the ability to issue corrective action if MTM does not meet one of its performance standards, it has not done so. Through corrective actions,

<sup>25</sup> Contract section C.5.3.3.8.1 states, "The Contractor shall record and respond to all complaints received related to the NET services including complaints by Recipients or providers, the District, or other individuals or groups that contact[] the Contractor."

<sup>26</sup> Letter from Emma Forkner, Director, State of South Carolina DHHS, to Thomas J. Bardin, Jr., Director, Legislative Audit Council (Mar. 19, 2009), at 5 *available at* <https://www.scdhhs.gov/internet/pdf/SCDHHS%20Response%20to%20LAC%20Audit%20of%20Non-emergency%20Transportation%20Program.pdf> (last visited Apr. 19, 2017).

<sup>27</sup> See, e.g., <https://dhcf.dc.gov/page/about-division-program-integrity-dpi> (last visited Mar. 6, 2017).

<sup>28</sup> See, e.g., <http://www.governing.com/columns/smart-mgmt/gov-medical-transportation.html> (last visited Mar. 2, 2017); <http://www.wcvb.com/article/5-investigates-uncovers-misuse-of-taxpayer-funded-medical-rides/8668340> (last visited Mar. 2, 2017); <http://www.ktvu.com/news/2-investigates/95081764-story> (last visited Mar. 2, 2017).

DHCF can communicate to the contractor when performance has fallen below an acceptable level and deter and correct poor contractor performance.

Therefore, we recommend that DHCF:

- (4) Establish a written plan and/or job tool to strengthen contract oversight and evaluation of MTM, to include: 1) critical deliverables from MTM; 2) the required frequency for the transmission of these deliverables; and 3) how DHCF will use the information. Collaborate across agency divisions (e.g., among the CA and DPI) to determine the feasibility of automating some of the data analysis from MTM-provided reports. Update the contract, as appropriate, to reflect data reporting requirements for contractors, required information to be transmitted, and a consistent structure and format.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHCF's September 2017 Response, As Received:*** DHCF agrees that the Contract Administrator (CA) needs an efficient and effective methodology for assessing MTM's performance. Prior to receiving these draft audit findings, DHCF initiated its own review of the MTM contract and MTM's reporting requirements. As a result, we are currently developing a new template for monthly data reporting that will focus on critical data elements and eliminate those that are not deemed useful.

*We are also working with DHCF's Division of Program Integrity (DPI) to identify how we can use data mining and data matching to compare trip data to claims data (see Finding No. 5) and identify instances of fraud, waste and abuse. DPI will conduct quarterly audits based on a sample of NET services, including cross-checking trips to verify if a health care claim was submitted to our fiscal agent for the same date of service a NET trip was rendered, verifying the Contractor's source data by using global positioning system (GPS) data to determine the Contractor's performance, and reviewing the Contractor's customer satisfaction surveys. DPI will also complete at least annual administrative audits of the Contractor, including the review of beneficiary complaints. Secret rider trips may be utilized if contractual compliance issues are noted during the analysis of complaints reports and/or customer satisfaction surveys.*

- (5) Refer service-related complaints to MTM for resolution and research the possibility of devoting more internal resources (e.g., more FTEs) to monitoring NET services on a daily basis.

Agree \_\_\_\_\_ Disagree \_\_\_\_\_ X \_\_\_\_\_

***DHCF's September 2017 Response, As Received:*** DHCF disagrees that more resources are needed to evaluate MTM contract performance and compliance. By refining data reports, automating data analyses and collaborating more closely with the Division of Program Integrity to conduct periodic audits, DHCF will increase the amount of internal resources devoted to monitoring NET services on a regular basis without the need to hire additional FTEs. Additionally, contrary to the report, the current CA spends limited time

*responding to, referring and following up on complaints. Rather, all service complaints are referred to MTM for resolution pursuant to the procedures set forth in the contract.*

**OIG Comment:** The OIG agrees that through refining data reports, automating data analyses, and collaborating more closely with the Division of Program Integrity, DHCF may not need to increase the number of FTEs devoted to evaluating MTM's performance and compliance. However, contrary to what was noted in DHCF's response, during fieldwork the OIG team learned that DHCF's CA spends considerable time responding to, referring, and following up on individual service-related complaints. The OIG reiterates that such complaints should be forwarded to MTM so that DHCF's CA can devote more time to monitoring overall NET service usage and other macro issues.

## **DHCF COULD ENHANCE ITS OVERSIGHT OF MTM THROUGH ADDITIONAL AUDITS**

The team identified beneficial audits and reviews conducted by DHCF's Division of Program Integrity (DPI) that evaluated MTM performance, including:

- an administrative review (February 2014) (assessing provider files in the areas of complaint resolution and tracking logs, transportation request forms, website review, documentation of denials, maintenance of insurance documents, vehicles exceeding approved age limit, and driver and attendant criminal background check documentation and drug screenings);
- vehicle inspections (September 2014) (assessing vehicles against contractual requirements); and
- out-of-state beneficiary review (June 2015) (identifying 88 beneficiaries, primarily foster care children, who were located outside of the MTM service area and should not have been included in the capitation payment to MTM, resulting in a total adjustment of 1,176 claims and the recoupment of \$26,035.43).<sup>29</sup>

Additionally, an administrative review of NET providers scheduled for the third quarter of FY 2017 is expected to focus on contractual obligations and subcontractor documentation.

Federal regulations require that a NET contractor be "subject to regular auditing and oversight by the State in order to ensure the quality and timeliness of the transportation services provided and the adequacy of beneficiary access to medical care and services."<sup>30</sup> Likewise, federal guidance (SMDL #06-009, Mar. 31, 2006) provides that "States must perform regular auditing and oversight of the brokerage program in order to assure the quality of the transportation services

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<sup>29</sup> A DHCF employee noted that from June 2016 through the time of fieldwork for this inspection, additional efforts to identify out-of-area beneficiaries continued and involved coordinated efforts with the Department of Human Services, Economic Services Administration on Public Assistance Reporting Information System (PARIS). Additionally, since the beginning of FY 2014, DHCF recouped approximately \$126,000 in capitation payments after notification that a beneficiary was deceased. The process to recoup funds is a part of the monthly capitation process.

<sup>30</sup> 42 CFR § 440.170(a)(4)(i)(C).

provided to beneficiaries, and to guarantee the adequacy of beneficiary access to medical care and services.”

The team identified areas where DHCF could enhance its oversight of MTM,<sup>31</sup> including:

- **DHCF should compare trip data against medical claims data to ensure appropriate trips were taken.** According to a DHCF employee, when a beneficiary requests a trip, a MTM representative will call the associated medical professional to confirm that an appointment is scheduled that correlates with the transportation requested. When a beneficiary receives a trip, the beneficiary (or in the case of an intellectually and developmentally disabled (IDD) patient, the provider) needs to sign a form indicating that the trip occurred. These signatures are required for MTM to approve claims. If a claim is sent in for a non-credentialed vehicle or driver, or for a non-eligible individual, MTM should deny the claim. However, DHCF does not conduct audits to cross-check a random sample of trips to show that medical claims occurred the same day as transportation claims. MTM would not have the ability to do this audit because they would not have access to medical claims information; instead, DHCF would have to conduct this comparison. The team notes the importance of an audit of this nature. For example, a performance audit conducted by the Louisiana Legislative Auditor found that some Louisiana transportation claims did not have a corresponding medical claim on the same day, contained file-related errors, or were missing evidence of the ride occurring; and some claims violated NET rules (e.g., trips to the pharmacy). This audit also noted that data analytics could help identify high-risk behavior, e.g., identifying providers and recipients where a significant number of rides did not have an associated medical claim.<sup>32</sup> A report on New Jersey’s NET program also found that the State did not ensure beneficiaries received medical services on the date of transportation.<sup>33</sup> A DHCF employee likewise noted that it may be worthwhile for DHCF to take a random sample of NET claims and compare trip data against medical claims data to ensure appropriate trips were taken.
- **DHCF should periodically audit MTM’s internal complaint processes.** The team learned that MTM self-reports its complaint ratio and is responsible for reporting its “substantiated complaint ratio.” MTM could potentially artificially lower its complaint numbers by claiming that some complaints were unsubstantiated. For example, a review of Connecticut’s NET program discussed undocumented complaints and underreporting of complaints in the program.<sup>34</sup> This is noteworthy because DHCF employees previously audited complaints in February 2014 and found Complaint Resolution and Tracking Logs with no reference number, complaint documentation that did not identify the provider, and that MTM’s monthly reports contained information that was not provided in letters to

<sup>31</sup> These areas are also noted in recommendation 6.

<sup>32</sup> LOUISIANA LEGISLATIVE AUDITOR, NON-EMERGENCY MEDICAL TRANSPORTATION PROGRAM, DEPARTMENT OF HEALTH AND HOSPITALS (Dec. 2, 2015), at 2-5.

<sup>33</sup> DEPARTMENT OF HEALTH AND HUMAN SERVICES OFFICE OF THE INSPECTOR GENERAL, NEW JERSEY DID NOT ADEQUATELY OVERSEE ITS MEDICAID NONEMERGENCY MEDICAL TRANSPORTATION BROKERAGE PROGRAM (July 2016), at 6.

<sup>34</sup> See generally, Connecticut Department of Social Services, 2014 Mercer Review and LogistiCare’s Updates (undated).



the recipient. Another DHCF employee noted that a small audit of a random sample of 10 complaints is currently being planned, in which he/she will ensure that MTM followed proper contractual requirements in responding to and resolving complaints. This individual intends to send MTM some type of analysis stating what percentage of complaints was compliant with the contract following the completion of this audit. However, this audit was not completed at the fieldwork stage of this inspection.

- **A DHCF employee should ride in a provider vehicle on a random basis to monitor the beneficiary experience.** Although the CA may be recognizable to transportation providers, another DHCF employee could participate in unannounced rides of transportation providers to evaluate performance. Instead of DHCF employees, MTM field monitors oversee driver conduct and conduct “secret rider” trips to check driver conduct and transportation performance, when necessary. However, as DHCF oversees the work of MTM, occasional “secret rider” trips would provide an extra layer oversight on to monitor transportation provider performance first-hand.
- **Verify MTM’s source data.** The team identified reports from other jurisdictions that noted the limitations of using contractor-provided data in assessing performance. For example, a financial audit for the City of New York noted limitations when Paratransit did not use GPS data to determine contractor performance and primarily relied on self-reporting and vehicle data; likewise, the South Carolina Legislative Audit Council noted a plan to verify the source data of monthly reports to ensure they are currently pulled from the data management systems.<sup>35</sup> The team recommends that DHCF critically assess the data MTM provides to ensure it captures actual events.

Additional compliance activities (e.g., cross-checking trip data to medical claims) and random ride monitoring may not occur because of the small number of people assigned to monitor MTM’s contract, as well as the other audit areas that DPI oversees. These audits would yield helpful information that would assist DHCF in both monitoring MTM and negotiating future contract terms.

Therefore, we recommend that DHCF:

- (6) Continue its audits and reviews of MTM and collaborate with MTM to obtain any additional data needed to conduct future, comprehensive audits of MTM’s services, including audits of: 1) trip data and comparing it against medical claims data; 2) MTM’s internal complaint processes; 3) the beneficiary experience by riding in a provider vehicle on a random basis; 4) routine rider satisfaction surveys; and 5) MTM’s source data.

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<sup>35</sup> New York’s Metropolitan Transportation Authority Paratransit Division (Paratransit) administers and operates the city’s Access-A-Ride (AAR) program primarily through a network of Dedicated Service Contractors and Broker Car Service Contractors. See CITY OF NEW YORK OFFICE OF THE COMPTROLLER, AUDIT REPORT OF THE METROPOLITAN TRANSPORTATION AUTHORITY’S OVERSIGHT OF THE ACCESS-A-RIDE PROGRAM (May 2016), at 1, *available at* [http://comptroller.nyc.gov/wp-content/uploads/documents/FK15\\_098A.pdf](http://comptroller.nyc.gov/wp-content/uploads/documents/FK15_098A.pdf) (last visited July 7, 2017); see also Letter from Emma Forkner, Director, State of South Carolina DHHS, to Thomas J. Bardin, Jr., Director, Legislative Audit Council (Mar. 19, 2009), at 7, *available at* <https://www.scdhhs.gov/internet/pdf/SCDHHS%20Response%20to%20LAC%20Audit%20of%20Non-emergency%20Transportation%20Program.pdf> (last visited Apr. 19, 2017).

Agree<sup>36</sup>       X       Disagree                     

***DHCF's September 2017 Response, As Received:*** Please see response to Finding No. 4, Recommendation No. 1.

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<sup>36</sup> DHCF did not specifically note whether it agreed or disagreed with this recommendation, but through reading the text, it appeared as though DHCF agreed with this recommendation.

## SUMMARY OF RECOMMENDATIONS

- (1) Evaluate the need to cap NET broker profits and losses in future NET contracts (and determine the feasibility of a contract modification for the current contract), to include: 1) obtaining trip and administrative cost data from the broker; 2) verifying the accuracy of these data; 3) developing a financial risk corridor that meets the District's needs; and 4) periodically comparing trip and administrative costs against revenue received by the broker under the contract.
- (2) Effectively plan for future NET procurements by implementing a NET program procurement strategy that establishes well-defined milestone completion dates well in advance of contract expiration to ensure adequate time for competitively bidding future contracts.
- (3) Collaborate with OCP to determine whether MTM is paid prospectively and draft future NET contracts to require payment to the NET contractor after services are completed.
- (4) Establish a written plan and/or job tool to strengthen contract oversight and evaluation of MTM, to include: 1) critical deliverables from MTM; 2) the required frequency for the transmission of these deliverables; and 3) how DHCF will use the information. Collaborate across agency divisions (e.g., among the CA and DPI) to determine the feasibility of automating some of the data analysis from MTM-provided reports. Update the contract, as appropriate, to reflect data reporting requirements for contractors, required information to be transmitted, and a consistent structure and format.
- (5) Refer service-related complaints to MTM for resolution and research the possibility of devoting more internal resources (e.g., more FTEs) to monitoring NET services on a daily basis.
- (6) Continue its audits and reviews of MTM and collaborate with MTM to obtain any additional data needed to conduct future, comprehensive audits of MTM's services, including audits of: 1) trip data and comparing it against medical claims data; 2) MTM's internal complaint processes; 3) the beneficiary experience by riding in a provider vehicle on a random basis; 4) routine rider satisfaction surveys; and 5) MTM's source data.

## APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

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The objective of the inspection was to assess the Department of Health Care Finance's (DHCF) oversight and controls for billing and service delivery within the Non-Emergency Medical Transportation (NET) Program to: 1) assess the District's contract with Medical Transportation Management, Inc. (MTM) to ascertain whether there are any terms that conflict with best practices/Centers for Medicare and Medicaid Services (CMS) guidance, Office of Contracting and Procurement (OCP)<sup>37</sup> requirements, and to identify recommendations for strengthening the effectiveness, efficiency, and sufficiency of the contract; and 2) determine whether DHCF maintains proper oversight of contract deliverables.

The scope of this inspection included current DHCF policies and protocols regarding its contract with MTM, and fiscal year (FY) 2014 to 2016 records and performance data. As part of this inspection, the team interviewed DHCF and OCP employees, and reviewed and analyzed MTM procurement files and contract deliverables. The team also reviewed internal audits of NET processes and analyzed reports assessing NET programs in other jurisdictions.

Our inspection was conducted in accordance with standards established by the Council of the Inspectors General on Integrity and Efficiency. As a matter of standard practice, our inspections pay particular attention to the quality of internal control.<sup>38</sup>

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<sup>37</sup> "The mission of OCP is to partner with vendors and District agencies to purchase quality goods and services in a timely manner and at a reasonable cost while ensuring that all purchasing actions are conducted fairly and impartially." <https://ocp.dc.gov/page/about-ocp> (last visited Mar. 8, 2017).

<sup>38</sup> "Internal control" is defined by the U.S. Government Accountability Office (GAO) as comprising "the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity" and is not one event, but a series of actions that occur throughout an entity's operations. Furthermore, internal control is a process that provides reasonable assurance that the objectives of an entity will be achieved, serves as the first line of defense in safeguarding assets, and is an integral part of the operational processes management uses to guide its operations. U.S. GOVERNMENT ACCOUNTABILITY OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT 5-6, GAO-14-704G (Sept. 2014).

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## APPENDIX B. CONTRACTUALLY-REQUIRED PERFORMANCE STANDARDS

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| Contract provision                 | Requirement   |
|------------------------------------|---|
| On-time Performance (C.5.6.1)      | <ul style="list-style-type: none"> <li>• 90% of transportation providers are on-time;</li> <li>• No more than .25% of the trips should be missed (provider no-show) per day;</li> <li>• No more than 10% of trips should be late for recipient pick-up per day;</li> <li>• No more than 5% of the trips should be late for recipient drop-off to their appointment per day; and</li> <li>• No more than 1.99% short-notice cancellations by transportation provider.</li> </ul> |
| Complaint and Grievances (C.5.6.2) | <ul style="list-style-type: none"> <li>• No more than 1.9 complaints per 1,000 trip legs;</li> <li>• 90% of all complaints resolved per contract guidelines; and</li> <li>• 90% of all grievances resolved per contract guidelines.</li> </ul>  |
| Customer Service (C.5.6.3)         | <ul style="list-style-type: none"> <li>• Monthly abandon rate 5% or less for all customer service centers;</li> <li>• The monthly average for answering the call by a non-recorded voice is 95% within 30 seconds;</li> </ul>   |
| Satisfaction Survey (C.5.6.4)      | <ul style="list-style-type: none"> <li>• No less than 95% on monthly member satisfaction with customer service center performance;</li> <li>• No less than 95% on monthly member satisfaction with network transportation provider performance; and</li> <li>• No less than 90% on annual transportation provider satisfaction.</li> </ul>  |



## APPENDIX C. NEMT BEST PRACTICES

| Source                                    | Best Practice  | Justification  | Description  |
|---|--|--|--|
| National Conference of State Legislatures | Cap broker losses in contract  | To reduce the potential for a broker to cancel the contract if it is not profitable  | If broker provided more assistance than they were getting paid to do under the contract, the state may be in a position where the broker cancels the contract. <sup>39</sup> |
| Hause Actuarial Solutions                 | Broker financial statements tied directly to the NEMT program with financial withholds | To outline performance standards; better accuracy in determining penalties and bonuses   | Diminishes a general concern on accuracy and completeness of data <sup>40</sup>  |
| Hause Actuarial Solutions                 | Use of a list of data fields captured through some NEMT programs                       | To capture performance standards; defines encounter data (Trip Legs, Riders, Mileage, Mode, Trip Intensity Measure, Payment Method, Trip Purpose and Destination, Trip Cost, Passengers, Special Needs, Start and End Dates, Claims Status ID Codes) | Aids in use of penalties/bonuses for achieving/not achieving performance standards <sup>41</sup>   |

<sup>39</sup> The National Conference of State Legislatures (NCSL) was created in 1975 as a single national organization “to support, defend and strengthen state legislatures” and to find the best solutions to difficult problems.

NON-EMERGENCY MEDICAL TRANSPORTATION: A VITAL LIFELINE FOR A HEALTHY COMMUNITY, *available at* <http://www.ncsl.org/research/transportation/non-emergency-medical-transportation-a-vital-lifeline-for-a-healthy-community.aspx> (last visited June 28, 2017)

<sup>40</sup> Hause Actuarial Solutions (Hause) performed transportation experience analyses, findings, and recommendations for state programs, including Non-Emergency Medical Transportation (NEMT) from 2011-2014.

NON-EMERGENCY MEDICAL TRANSPORTATION (NEMT) 2014 (June 1, 2014), at 2 & 7, *available at* [http://www.hauseactuarial.com/newsletter/2014\\_NEMT\\_Report.pdf](http://www.hauseactuarial.com/newsletter/2014_NEMT_Report.pdf) (last visited June 28, 2017).

<sup>41</sup> *Id.* at 7.

## APPENDIX C. NEMT BEST PRACTICES

| Source                    | Best Practice   | Justification  | Description   |
|---------------------------|---|--|---|
| Hause Actuarial Solutions | Consideration for administrative services only (ASO) contracts as best practice vs. full-risk brokerage arrangement             | To pay on a fixed dollar basis; maintain reimbursement mechanisms and rate determination for predictable costs; transfer oversight functions and trip logistics to broker. <sup>42</sup> | Full-risk contracts pay the broker a fixed amount, <sup>43</sup> and ASO contracts are based on a fixed dollar arrangement. <sup>44</sup> |
| Hause Actuarial Solutions | Capturing data related to areas of concern provides for better contract negotiation between the state and broker. <sup>45</sup> | To compare encounter trip data against medical claims data to reveal information on inappropriate or overstated trips. <sup>46</sup>   | Controls in data that are tied to performance standards ensure better accuracy and completeness of data. <sup>47</sup>                    |

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<sup>42</sup> *Id.* at 5.

<sup>43</sup> *Id.* at 2.

<sup>44</sup> *Id.* At 9.

<sup>45</sup> *Id.* at 8.

<sup>46</sup> *Id.*

<sup>47</sup> *Id.* at 7.

## APPENDIX D. DHCF RESPONSE TO DRAFT REPORT

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Department of Health Care Finance



Office of the Director

September 15, 2017

Mr. Daniel W. Lucas  
Inspector General  
D.C. Office of the Inspector General  
717 14<sup>th</sup> Street NW  
Washington, D.C. 20005

Re: *Inspection of the Non-Emergency Medical Transportation Program* (OIG No.: 17-I-##HTO)

Dear Mr. Lucas:

The Department of Health Care Finance (DHCF) is in receipt of the draft report in the above referenced matter. The report contains five (5) findings and six (6) recommendations, which are discussed in detail, below. DHCF responds to each finding and recommendation, as follows:

**Finding No. 1:** DHCF's current non-emergency medical transportation (NET) contract with MTM does not cap broker profits and losses.

**Recommendation:** DHCF should evaluate the need to cap broker profits and losses in future contracts (and determine the feasibility of a contract modification for the current contract), to include: 1) obtaining trip and administrative cost data from the broker; 2) verifying the accuracy of these data; 3) developing a financial risk corridor that meets the District's needs; and 4) periodically comparing trip and administrative costs against revenue received by the broker under the contract.

**DHCF Response:** DHCF agrees with DC OIG's finding that steps should be taken to evaluate the need to cap broker profits and losses with respect to current and future NET contracts, including a comparative review of how NET contracts are structured in other states. DHCF has already taken steps to obtain trip and administrative cost data from the NET Contractor to assist with this analysis, and is exploring the feasibility of a contract amendment with the DC Office of Contracts and Procurement (OCP).

**Finding No. 2:** The District's use of sole source contracts and extensions with MTM may have violated District law.

## APPENDIX D. DHCF RESPONSE TO DRAFT REPORT

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**Recommendation:** Effectively plan for future NET procurements by implementing a NET program procurement strategy that establishes well-defined milestone completion dates well in advance of contract expiration to ensure adequate time for competitively bidding future contracts.

**DHCF Response:** Noting that the finding refers to actions taken by OCP in accordance with its exclusive procurement authority for goods and services provided to DHCF, DHCF cannot opine on the legality of the District's Chief Procurement Officer's (CPO) actions in connection with this procurement.

DHCF agrees that it is important to effectively plan for future NET procurements. DHCF currently uses multiple strategies to ensure there is adequate time for planning for competitive contracts.

**Finding No. 3:** Prospective payments to the NET contractor potentially cost the District interest.

**Recommendation:** Collaborate with OCP to determine whether MTM is paid prospectively and draft future NET contracts to require payment to the NET contractor after services are completed.

**DHCF Response:** DHCF disagrees with this finding. Payments to MTM under the terms of the contract are based upon a capitation methodology. Using the capitation payment method, the vendor is paid prospectively on a per enrollee, per month basis. Paying prospectively on a capitated basis is an industry standard and achieves several objectives. First, it fixes the per member cost of the contract. This gives the buyer greater certainty over spending and shifts the risk of increased costs to the seller. Second, paying prospectively ensures that the seller has the funds upfront to pay for and provide the services. The benefits of using a capitated payment system far outweigh the benefit of collecting the small amount of interest that would be earned if the District were to adopt a retrospective capitated payment methodology.

**Finding No. 4:** DHCF lacks a comprehensive system for evaluating MTM using contractually required reports.

**Recommendation 1:** Establish a written plan and/or job tool to strengthen contract oversight and evaluation of MTM, to include: 1) critical deliverables from MTM; 2) the required frequency for the transmission of these deliverables; and 3) how DHCF will use the information. Collaborate across agency divisions (e.g., among the CA and DPI) to determine the feasibility of automating some of the data analysis from MTM-provided reports. Update the contract, as appropriate, to reflect data reporting requirements for contractors, required information to be transmitted, and a consistent structure and format.

## APPENDIX D. DHCF RESPONSE TO DRAFT REPORT

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**DHCF Response:** DHCF agrees that the Contract Administrator (CA) needs an efficient and effective methodology for assessing MTM's performance. Prior to receiving these draft audit findings, DHCF initiated its own review of the MTM contract and MTM's reporting requirements. As a result, we are currently developing a new template for monthly data reporting that will focus on critical data elements and eliminate those that are not deemed useful.

We are also working with DHCF's Division of Program Integrity (DPI) to identify how we can use data mining and data matching to compare trip data to claims data (see Finding No. 5) and identify instances of fraud, waste and abuse. DPI will conduct quarterly audits based on a sample of NET services, including cross-checking trips to verify if a health care claim was submitted to our fiscal agent for the same date of service a NET trip was rendered, verifying the Contractor's source data by using global positioning system (GPS) data to determine the Contractor's performance, and reviewing the Contractor's customer satisfaction surveys. DPI will also complete at least annual administrative audits of the Contractor, including the review of beneficiary complaints. Secret rider trips may be utilized if contractual compliance issues are noted during the analysis of complaints reports and/or customer satisfaction surveys.

**Recommendation 2:** Refer service-related complaints to MTM for resolution and research the possibility of devoting more internal resources (e.g., more FTEs) to monitoring NET services on a daily basis.

**DHCF Response:** DHCF disagrees that more resources are needed to evaluate MTM contract performance and compliance. By refining data reports, automating data analyses and collaborating more closely with the Division of Program Integrity to conduct periodic audits, DHCF will increase the amount of internal resources devoted to monitoring NET services on a regular basis without the need to hire additional FTEs. Additionally, contrary to the report, the current CA spends limited time responding to, referring and following up on complaints. Rather, all service complaints are referred to MTM for resolution pursuant to the procedures set forth in the contract.

**Finding No. 5:** DHCF could enhance its oversight of MTM through additional audits.

**Recommendation:** Continue its audits and reviews of MTM and collaborate with MTM to obtain any additional data needed to conduct future, comprehensive audits of MTM's services, including audits of: 1) trip data and comparing it against medical claims data; 2) MTM's internal complaint processes; 3) the beneficiary experience by riding in a provider vehicle on a random basis; 4) routine rider satisfaction surveys; and 5) MTM's source data.

**DHCF's Response:** Please see response to Finding No. 4, Recommendation No. 1.



## APPENDIX D. DHCF RESPONSE TO DRAFT REPORT

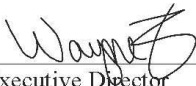
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If you have any questions or concerns regarding this response, please contact DHCF's External Audit Coordinator, [REDACTED] at ([REDACTED]), or by e-mail at [REDACTED].

Thank you.

Wayne Turnage



Executive Director  
Department of Health Care Finance

cc: Matthew Wilcoxson, Deputy Inspector General  
Claudia Schlosberg, Senior Deputy Director/State Medicaid Director, DHCF