Office of the Auditor General
Performance Audit Report

Medicaid Non-Emergency Medical Transportation Services

Michigan Department of Health and Human Services

March 2022

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

391-0715-20

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The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution

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Report Summary

Performance Audit
Medicaid Non-Emergency Medical Transportation (NEMT) Services
Michigan Department of Health and Human Services (MDHHS)

Report Number:
391-0715-20

Released:
March 2022

Title XIX of the Social Security Act requires MDHHS to ensure necessary transportation is provided for Medicaid beneficiaries to and from covered services (including medical, dental, vision, mental health, and substance abuse appointments). MDHHS coordinates this transportation for eligible beneficiaries through a contracted transportation broker (ModivCare Solutions), contracted Medicaid Health Plans, and its local offices. NEMT expenditures totaled $128.1 million ($45.4 million General Fund/general purpose) from January 2018 through December 2019.

Audit Objective			Conclusion
Objective: To assess the effectiveness of MDHHS's efforts to administer select NEMT services.			Not effective
Findings Related to This Audit Objective	**Material Condition**	**Reportable Condition**	**Agency Preliminary Response**
MDHHS did not ensure NEMT drivers possessed a valid driver's license, vehicle registration, and insurance or were subjected to criminal history background and sex offender registry checks (Finding 1).	X		Agrees
We identified several deficiencies in MDHHS's oversight of its contracted transportation broker, including not validating whether reported data was accurate; the lack of accountability for missed performance measures; not ensuring beneficiary complaints were addressed; and not analyzing the contract's cost-effectiveness (Finding 2).	X		Agrees
MDHHS did not ensure its primary NEMT coordinators maintained trip logs and medical needs forms and/or verified trips related to Medicaid covered services (Finding 3).		X	Agrees

Findings Related to This Audit Objective *(Continued)*	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS could not ensure its local offices provided fee-for-service Medicaid beneficiaries residing outside Macomb, Oakland, and Wayne Counties with satisfactory access to NEMT services (Finding 4).		X	Disagrees

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March 16, 2022

Ms. Elizabeth Hertel, Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Dear Ms. Hertel:

This is our performance audit report on Medicaid Non-Emergency Medical Transportation Services, Michigan Department of Health and Human Services.

Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General

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MEDICAID NON-EMERGENCY MEDICAL TRANSPORTATION SERVICES

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

ADMINISTERING NEMT SERVICES

BACKGROUND

The Michigan Department of Health and Human Services (MDHHS) administers non-emergency medical transportation (NEMT) services as part of its overall responsibility for Michigan's Medicaid program.

MDHHS provides eligible beneficiaries with access to NEMT services through the following, based on the beneficiary's* address and enrollment status in a Medicaid Health Plan (MHP):

- Broker*
  MDHHS contracts with ModivCare Solutions (previously known as LogistiCare Solutions), a national broker, to coordinate NEMT services for Medicaid beneficiaries residing in Macomb, Oakland, and Wayne Counties, including NEMT to any Medicaid covered services for fee-for-service beneficiaries* and to dental, mental health, and substance abuse services (carve-out services*) for MHP beneficiaries. The broker maintains a call center and a transportation provider network; verifies beneficiary eligibility; determines and authorizes the appropriate mode of transportation based on medical need; arranges for the authorized vehicle (through private transportation companies, ride-sharing companies, public transportation*, or the beneficiaries themselves); and pays the transportation provider. MDHHS pays the broker a capitated per member per month fee based on the total number of Medicaid beneficiaries residing in the three counties.

- MHPs
  MDHHS contracts with MHPs to provide services, including NEMT, to Medicaid beneficiaries enrolled in an MHP. For MHP-enrolled beneficiaries residing in Macomb, Oakland, or Wayne Counties, MHPs are responsible for coordinating transportation to all Medicaid covered services with the exception of carve-out services. MHPs contract with brokers to coordinate NEMT through private transportation companies, ride-sharing companies, public transportation, or the beneficiaries themselves. MDHHS pays the MHPs a monthly capitated rate*, including an amount related to NEMT, for each MHP-enrolled beneficiary.

- Local Offices
  MDHHS local offices coordinate NEMT services for fee-for-service beneficiaries not residing in Macomb, Oakland, or Wayne Counties. Local offices screen requests for NEMT services; approve the least costly, most appropriate mode of transportation available to

** See glossary at end of report for definition.*

meet the beneficiary's physical and medical needs; facilitate scheduling of the trips when necessary; and authorize payments. Transportation providers may include the beneficiaries themselves; family and friends of the beneficiary; volunteers; public transit; or commercial providers, such as taxis or ride-sharing companies.

For the two-year period January 1, 2018 through December 31, 2019, NEMT expenditures totaled $128.1 million (see supplemental information for total expenditures and number of trips by type of service coordinator).

AUDIT OBJECTIVE

To assess the effectiveness* of MDHHS's efforts to administer select NEMT services.

CONCLUSION

Not effective.

FACTORS IMPACTING CONCLUSION

- Material conditions* related to the need to ensure provider eligibility requirements are met and improve oversight of the broker contract (Findings 1 and 2).
- Reportable conditions* related to the need for improved encounter claim* documentation and an evaluation of local office NEMT services (Findings 3 and 4).
- MDHHS ensured 98.0% of the local office payments we reviewed were accurately calculated and the documentation supported that the NEMT trips occurred and related to a Medicaid covered service.
- MDHHS case file documentation supported the beneficiaries' Medicaid status was active on the date NEMT services were provided for the broker and MHP encounter claims and for the local office payments that we reviewed.

** See glossary at end of report for definition.*

FINDING 1

Improved controls needed over transportation provider eligibility verification.

MDHHS did not ensure transportation providers met eligibility requirements, potentially exposing beneficiaries to unnecessary health and safety risks and subjecting MDHHS to sanctions or disallowances by the federal grantor agency for noncompliance.

MDHHS's Medicaid Provider Manual, Section 4, requires all transportation providers to have a valid driver's license, motor vehicle registration, and insurance and pass criminal history and sex offender registry checks. Also, Title 2, Part 200, sections 403(a) through (g) of the *Code of Federal Regulations* (CFR)* require costs charged to federal programs be adequately documented and necessary and reasonable for the administration of the federal award. In addition, documentation is necessary to support the requirements were verified.

Our review of documentation for 144 broker claims, 142 MHP claims, and 70 local office payments, for which the drivers were not the beneficiaries or the beneficiaries' family member, noted:

a. MDHHS did not ensure the broker verified or maintained documentation supporting provider eligibility. Specifically, for the 126 claims involving non-public transportation* drivers (144 unique drivers), the broker could not provide documentation that it verified or conducted:

MDHHS's broker could not always support the drivers it used passed criminal history and sex offender checks and possessed a valid driver's license and insurance.

(1) Valid driver's licenses for 9 (6.3%) drivers.

(2) Vehicle registrations for 18 (12.5%) drivers.

(3) Motor vehicle insurance for 48 (33.3%) drivers.

(4) Criminal history background checks for 12 (8.3%) drivers.

(5) Sex offender registry checks for 13 (9.0%) drivers.

MDHHS's compliance review process over the broker was not designed to review driver and vehicle eligibility requirements (see Finding 2, parts a. and b.).

b. MDHHS did not ensure MHPs verified or maintained documentation supporting provider eligibility. Specifically, for the 138 claims involving non-public transportation drivers (139 unique drivers), the MHPs could not provide documentation that they verified or conducted:

MHPs could not always support the NEMT drivers they used passed criminal history and sex offender checks and possessed a valid driver's license and insurance.

(1) Valid driver's licenses for 42 (30.2%) drivers.

(2) Vehicle registrations for 47 (33.8%) drivers.

(3) Motor vehicle insurance for 34 (24.5%) drivers.

** See glossary at end of report for definition.*

(4) Criminal history background checks for 35 (25.2%) drivers.

(5) Sex offender registry checks for 39 (28.1%) drivers.

MDHHS did not require MHPs to provide supporting documentation and did not have a process to periodically verify MHPs' compliance with driver and vehicle eligibility requirements.

c. MDHHS did not ensure its local offices verified or maintained documentation supporting provider eligibility. Specifically, for the 67 payments involving non-public transportation drivers (57 unique drivers), the local offices could not provide documentation that they verified or conducted:

MDHHS local offices could not always support the NEMT drivers they used passed criminal history and sex offender checks and possessed a valid driver's license and insurance.

(1) Valid driver's licenses for 17 (29.8%) drivers.

(2) Vehicle registrations for 57 (100%) drivers.

(3) Motor vehicle insurance for 14 (24.6%) drivers.

(4) Criminal history background checks for 7 (12.3%) drivers.

(5) Sex offender registry checks for 7 (12.3%) drivers.

MDHHS local offices indicated they rely on drivers' attestation of their vehicle registration. Also, some of the local offices indicated turnover in key staff positions may have contributed to the lack of documentation.

Also, although names were not available for 35 of the 59 combined unique drivers noted in parts a.(4), a.(5), b.(4), b.(5), c.(4), and c.(5), we verified the remaining 24 unique drivers were not enrolled as providers in MDHHS's Community Health Automated Medicaid Processing System (CHAMPS). Therefore, they were not subjected to MDHHS's automated criminal history and sex offender check processes.

We verified that 6 of the 7 drivers cited in parts c.(4) and c.(5) of this finding were not registered sex offenders and did not have criminal records prohibiting them from providing NEMT services. However, we did not have the necessary information to be able to perform the checks for the remaining driver cited in part c.(4) and c.(5) or for the drivers cited in parts a.(4), a.(5), b.(4), and b.(5) of this finding.

We consider this finding to be a material condition based on the significance of the exception rates identified and the potential threat to the beneficiaries' health and safety.

RECOMMENDATION

We recommend that MDHHS ensure its various NEMT coordinators maintain all required transportation provider eligibility documentation.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees with the recommendation that documentation should be better maintained by the various NEMT coordinators.

MDHHS will continue to require the NEMT broker to maintain documentation to support provider eligibility, and as an additional security measure, transportation provider drivers for the broker will continue to enroll in CHAMPS. The following checks performed at enrollment, revalidation, and ongoing (either monthly or annually) include sex offender and criminal history checks, federal exclusion, Death Registry, Vital Records, valid driver's license checks, and vehicle insurance information. Also, transportation provider drivers and volunteer drivers for the local offices will continue to enroll in CHAMPS where the same checks identified above are performed, again at enrollment, revalidation, and ongoing (either monthly or annually); except those identified in policy as not required (i.e. relatives, self-driver, and/or family members).

As part of the Comprehensive Health Care Program (CHCP) contract, MDHHS will continue to require that the MHPs have written credentialing and re-credentialing policies and procedures in place that: ensure quality of care, ensure providers rendering services are licensed by the State and are qualified to perform their services, verify the provider is not debarred or suspended by any State or federal agency, and require the provider's employees to disclose criminal convictions.

In addition to the measures identified above, MDHHS is always looking for opportunities for improving its programs and how they are operated. This includes conducting periodic random sampling of NEMT records to review documentation requirements, and to ensure completion and accuracy of record keeping. If deficiencies are identified, corrective action will be required, and MDHHS will track and ensure deficiencies are addressed.

FINDING 2

Monitoring of broker contract needs improvement.

MDHHS needs to better monitor its broker contract. MDHHS could not ensure compliance with contract provisions designed to meet the needs of the NEMT beneficiaries in Macomb, Oakland, and Wayne Counties or the cost-effectiveness of the contract.

The State of Michigan Administrative Guide to State Government policy 610 requires State departments to manage their contracts in a manner that is fiscally responsible and Section 12.2.1.1 of the State of Michigan Procurement Policy Manual requires MDHHS to ensure contractors are delivering and performing in accordance with the contract. Also, the supplement to Attachment 3.1-A of the Medicaid State Plan requires MDHHS provide oversight of the broker through examination of records to ensure the broker provides quality NEMT services and adequately monitor beneficiary complaints, which includes having online access to the broker's complaint tracking system.

In addition, the NEMT contract requires that the maximum call center abandonment rate must remain below 10.0% for 95.0% of the time and beneficiaries must be delivered to their appointments in a timely manner. The contract also requires an 85% average for on-time pick-ups and at least a 90% average for on-time appointments. Although not specified in the contract, MDHHS's compliance review defines on-time performance as dropped off no later than the actual scheduled time of the appointment. The NEMT contract allows MDHHS to assess penalties when requirements are not met. Furthermore, Section 1902(a)(70) of Title XIX of the Social Security Act allows states to establish, under their state plan, a NEMT brokerage contract only if it is cost-effective.

Our review of the NEMT contract, complaints received by MDHHS, and the two on-site compliance reviews noted MDHHS did not:

No penalties assessed for missed contractual performance measures.

a. Ensure the broker maintained documentation to support submitted encounter claims (see Finding 1, part a. and Finding 3, part a.).

b. Follow up on the deficiencies its two reviews identified regarding pick-up and on-time performance and medical needs forms. Specifically, MDHHS's compliance reviews noted:

   (1) Beneficiaries were picked up within the allowable time frame only 65.0% and 76.8% of the time, significantly below the 85% requirement.

   (2) Beneficiaries arrived on time or prior to the appointment 86.3% of the time during the 2018 compliance review, below the 90% requirement.

   (3) Medical need forms were missing or not signed by a medical professional.

Also, MDHHS's compliance review process was not designed to review trip logs or driver and vehicle eligibility requirements (see Finding 1, part a. and Finding 3, part a.).

c. Review the on-time performance for appointments requirement during the 2019 compliance review even though it identified deficiencies during the 2018 compliance review as noted in part b. (2) of this finding.

d. Verify the accuracy of the call center abandonment rates self-reported by the broker to ensure the abandonment rate remained below 10% for 95% of the time.

e. Ensure the broker appropriately addressed beneficiary complaints.

Our review of the 427 complaints MDHHS received through its beneficiary hotline and transferred to the broker noted:

Resolution not monitored for 100% of complaints MDHHS forwarded to the broker.

- The broker's complaint database did not include 156 (36.5%) complaints.
- MDHHS did not monitor the broker's response to the remaining 271 (63.5%) complaints to ensure the broker resolved the complaints appropriately.

MDHHS received daily and monthly complaint reports from the broker; however, it did not ensure the broker recorded and resolved all of the complaints. Also, MDHHS accessed the broker's complaint tracking system only twice (September 19, 2019 and October 9, 2019) during the audit period.

f. Assess any penalties against the broker during the audit period.

g. Evaluate the cost-effectiveness of the rate structure utilized to pay the broker. For the two-year audit period, MDHHS made monthly payments to the broker totaling $41.7 million for approximately 935,000 average monthly eligible beneficiaries. Our review of the broker's contract and the 724,087 encounter claims reported to MDHHS noted:

Only 0.6% of the covered beneficiaries utilized the broker services.

(1) Only 5,451 unique beneficiaries on average per month (0.6% of the average monthly eligible beneficiaries) utilized the services provided by the broker.

(2) The encounter claim costs totaled $20.5 million for the two-year period, leaving $21.2 million to cover

the broker's costs related to administering the contract.

(3) The broker submitted 40,379 (5.6%) encounter claims related to trips that should have been coordinated under the beneficiaries' MHP. Approximately 41% of the beneficiaries who obtained NEMT services from the broker during the two-year period were members of an MHP who received a separate monthly capitated rate payment for non-carve-out NEMT services.

MDHHS had not established a comprehensive process to monitor its broker's performance and the cost-effectiveness of the contract structure.

We consider this finding to be a material condition because of the extent of deficiencies identified related to MDHHS's contract monitoring efforts, the impact on Medicaid beneficiaries' access to and satisfaction with NEMT services, and the significance of the costs involved.

RECOMMENDATION

We recommend that MDHHS better monitor its broker contract.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees with the recommendation that it needs to better monitor its broker contract.

MDHHS is always looking for opportunities for improving its programs and how they are operated. This includes enhancing encounter data quality checks for encounters submitted by the broker and enhancing its monitoring and follow-up of its NEMT services contract.

The frequency of monitoring is dependent upon the individual activity requirements as defined in the contract. As part of the corrective action by MDHHS, a formal Vendor Corrective Action Plan has already been implemented collaboratively between MDHHS and Department of Technology, Management, and Budget (DTMB) and established to address on-time performance and medical needs form deficiencies and on-time performance for appointments requirements identified above in (b) and (c), with active, ongoing monitoring. MDHHS will follow DTMB parameters for defining service level agreement assessments/penalties, as necessary in the future.

FINDING 3

Improved documentation needed to support encounter claims.

MDHHS did not ensure NEMT encounter claims were properly supported. Inaccurate or unsupported encounter claim data could impact decisions related to the cost structure or broker contract rates and affect the accuracy of future MHP capitated rates established by MDHHS's actuary.

MDHHS's NEMT contract requires the broker to maintain all accounting records, medical needs forms, and trip logs supporting the pick-up and drop-off locations for the term of the 5-year contract and 4 years thereafter. Also, federal regulation 42 *CFR* 438.242(d) requires MDHHS to ensure all MHP encounter data is complete and accurate. In addition, Subpart E of federal regulation 2 *CFR* 200 requires costs charged to federal programs be adequately documented and necessary and reasonable for the administration of the federal award.

Our review of the supporting documentation for 150 broker and 150 MHP encounter claims noted:

a. For the 132 broker encounter claims related to trips involving non-public transportation providers, the broker could not provide:

   (1) Trip logs for 7 (5.3%) encounter claims and signed trip logs for another 24 (18.2%) encounter claims. Although not specifically required, a beneficiary signature on the trip log (which generally included a signature area) further substantiates that a valid trip was provided.

   (2) Medical needs forms for 5 (3.8%) encounter claims.

   MDHHS's compliance review process was not designed to review trip logs (see Finding 2, parts a. and b.). Also, MDHHS compliance reviews of the broker in October 2018 and November 2019 identified issues with missing medical needs forms; however, MDHHS did not follow up to ensure the broker corrected these deficiencies or assess penalties (see Finding 2, parts b. and f.).

b. For the 18 broker encounter claims related to trips involving public transportation providers, the broker was contractually required to verify the transportation was for a Medicaid covered service; however, MDHHS did not have a process to confirm the broker performed the verifications.

c. For the 146 MHP encounter claims related to trips involving non-public transportation providers, MHPs had not maintained trip logs for 16 (11.0%) encounter claims and signed trip logs for another 8 (5.5%) encounter claims.

d. For the 4 MHP encounter claims related to trips involving public transportation providers, MDHHS did not require

MHPs to verify the transportation was for a Medicaid covered service.

Regarding parts c. and d., MDHHS did not require MHPs to submit supporting documentation for encounter claims and did not have a process to periodically verify the validity of the submitted encounter claim data.

RECOMMENDATION

We recommend that MDHHS implement processes to ensure the broker and MHPs maintain adequate documentation to support their NEMT encounter claims.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees with the recommendation that adequate documentation to support NEMT encounter claims should be better maintained; however, MDHHS does not plan to require "signed" trip logs for broker or MHP encounters. Neither NEMT policy nor the broker contract require trip logs to be signed. The signature line is included on the trips logs simply because the broker uses this form for all of their business, not just Medicaid.

To enhance monitoring and tracking, a written Contract Monitoring Plan was established in January 2019, outlining the contractual requirements for the broker and MDHHS's monitoring requirements. As part of the NEMT broker contract monitoring plan, MDHHS will conduct periodic random sampling of broker records to review documentation requirements, including trip logs and medical needs forms, to ensure completion and accuracy of record keeping. If deficiencies are identified, corrective action will be required, and MDHHS will track and ensure deficiencies are addressed.

In response to part (b), as part of our corrective action, in August 2019, the NEMT broker started monthly pre- and post-transportation validation checks on no less than 2% of public transportation used per month to confirm public transportation was for Medicaid eligible services. These monthly validation checks are reported to and will be tracked and reviewed by MDHHS to ensure compliance.

In response to parts (c) and (d), as part of the corrective action, in the CHCP contract, MHPs will continue to be required to: ensure all encounter data is complete and accurate, provide for collection and maintenance of sufficient encounter data to identify the provider who delivers items or services, ensure the data from providers is accurate and complete, and make all collected data available to MDHHS and the Centers for Medicare and Medicaid Services (CMS) upon request. In addition, MHPs will continue to attest that the encounter data is complete and accurate in accordance with 42 CFR *438.606. MDHHS's Office of Inspector General (OIG) will also continue to periodically conduct post payment reviews as an additional measure to verify the validity of*

submitted claims, which can include review of encounter data. Although it is required of the MHPs to maintain the documentation, MDHHS will be implementing additional oversight and periodic sampling to ensure encounter claims are valid.

In fiscal year 2022, MDHHS began requiring MHPs to submit a detailed explanation of their NEMT claims monitoring procedures as part of the MHP Contract Compliance Review process. If an MHP does not have sufficient NEMT claims monitoring procedures in place that help to ensure encounter claims are supported by proper documentation, a corrective action plan will be required and the MHP may be subject to monetary penalties or liquidated damages.

FINDING 4

Evaluation of local office NEMT services needed.

MDHHS did not evaluate NEMT services coordinated directly through its local offices. MDHHS could not ensure fee-for-service Medicaid beneficiaries residing outside Macomb, Oakland, and Wayne Counties had access to NEMT services.

Title XIX of the Social Security Act and Attachments 3.1-A and 3.1-D of the Medicaid State Plan require MDHHS to ensure necessary transportation is provided for beneficiaries to and from Medicaid-covered services. Also, program effectiveness can often be evaluated and improved by having a comprehensive evaluation process. Such a process should include performance indicators that measure outcomes* related to a program's goals* and objectives*; performance standards* that describe the desired level of outcomes based on management expectations; a reporting of the comparison results to management; and recommendations to improve effectiveness and efficiency* or change desired performance standards or goals.

MDHHS had not established performance indicators, identified performance standards, or requested NEMT performance data from its local offices to enable it to evaluate those NEMT services. Information that may be useful to MDHHS in evaluating NEMT utilization and beneficiary satisfaction includes:

- Number of:
    - Beneficiaries served.
    - Trips provided and denied.
    - Miles driven, and average miles per trip.
- Availability of volunteer drivers or commercial and public transportation providers.
- User satisfaction, including ease of scheduling; driver friendliness, timeliness, and safety; and vehicle condition.

Representatives for 1 of 2 local offices we interviewed mentioned they internally track limited performance data related to NEMT services; however, MDHHS did not require its local offices to do so and does not gather and analyze data from those that do.

RECOMMENDATION

We recommend that MDHHS establish performance indicators, identify performance standards, compile performance data, and evaluate NEMT services coordinated directly through its local offices.

** See glossary at end of report for definition.*

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS disagrees with this finding.

The Social Security Act and Medicaid State Plan require that MDHHS ensure necessary transportation is provided for beneficiaries and MDHHS is not aware of any situations where beneficiaries did not have access to NEMT services. Local offices meet the requirement to provide NEMT services by utilizing, as appropriate, volunteer drivers and private/public transportation. There are currently no requirements for MDHHS to identify performance standards, compile performance data, or perform a formal evaluation of NEMT services as part of federal or State regulations.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE*

Although not specifically required, we contend that proactively evaluating the effectiveness of providing NEMT services to Medicaid beneficiaries, not covered by the NEMT broker or MHP contracts, would be a sound business practice and would help ensure the availability to and satisfaction of beneficiaries.

We also contend that MDHHS may not be aware of situations where beneficiaries were not provided the necessary transportation because MDHHS has not requested performance data from its local offices to enable it to evaluate those NEMT services or conducted a user satisfaction survey.

Therefore, our finding stands as written.

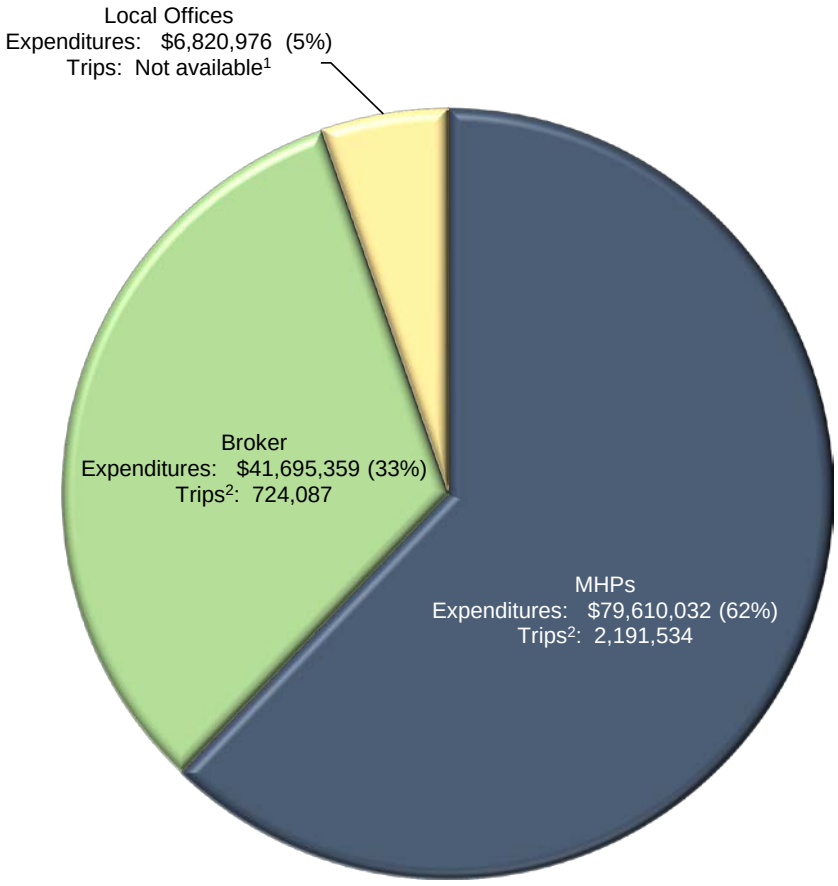
** See glossary at end of report for definition.*

SUPPLEMENTAL INFORMATION

UNAUDITED

MEDICAID NON-EMERGENCY MEDICAL TRANSPORTATION (NEMT) SERVICES
Michigan Department of Health and Human Services

Total Expenditures and Number of Trips by Type of Service Coordinator
January 1, 2018 through December 31, 2019



[1] MDHHS does not track the number of trips provided by its local offices (see Finding 4).
[2] The number of trips identified for the broker and MHPs represents round trips.

Source: The OAG created this exhibit using encounter claim data submitted to MDHHS by its broker and MHPs and expenditure data obtained from the Statewide Integrated Governmental Management Applications* (SIGMA) and MDHHS's actuary.

** See glossary at end of report for definition.*

DESCRIPTION

Title XIX of the Social Security Act requires MDHHS to ensure necessary transportation is provided for Medicaid beneficiaries to and from covered services (including medical, dental, vision, mental health, and substance abuse appointments).

To qualify for NEMT services, an individual must be an active Medicaid beneficiary; obtain, when necessary, a certification of medical need from a Medicaid-enrolled medical professional (e.g., physician); and have no other means of transportation available. Eligible beneficiaries with access to a vehicle, and who can drive themselves, are eligible to receive mileage reimbursement.

NEMT expenditures totaled $128.1 million ($45.4 million General Fund/general purpose) for the two-year period January 1, 2018 through December 31, 2019.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to MDHHS's administration of NEMT services. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not include the verification of Medicaid client eligibility within the scope of this audit. Medicaid client eligibility is generally audited as part of the annual State of Michigan single audit.

We commenced this audit in March 2020, just prior to the declaration of the global COVID-19 pandemic. This and the following factors negatively impacted the progress of the audit and contributed to inefficiencies in completing our audit procedures and preparing this report:

- Mandatory shift to a remote work environment, imposing Statewide restrictions to locations housing relevant audit evidence.
- Additional workloads placed upon MDHHS employees.
- Imposition of furlough days upon State employees from May 2020 through July 2020.
- Incomplete responses for requested information and documentation from the broker, MHPs, and MDHHS necessitating follow-up and additional requests.
- Re-prioritization/shifting of OAG audit resources toward other audit projects, including projects with statutorily required deadlines.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined all components were significant.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered January 1, 2018 through December 31, 2019.

** See glossary at end of report for definition.*

METHODOLOGY

We conducted a preliminary survey to gain an understanding of MDHHS's processes related to administering NEMT services. During our preliminary survey, we:

- Interviewed MDHHS's management and staff, including employees from two local offices, to obtain an understanding of NEMT services and how they are coordinated throughout the State.
- Reviewed applicable laws, regulations, the Michigan Medicaid State Plan, Medicaid Provider Manual, MDHHS policies, and contracts between MDHHS and its broker and MHPs.
- Analyzed NEMT expenditure data and encounter claim data submitted to MDHHS by the broker and MHPs.
- Interviewed the broker's project manager and representatives of various MHPs to obtain an understanding of how they administer NEMT services on behalf of MDHHS.

OBJECTIVE

To assess the effectiveness of MDHHS's efforts to administer select NEMT services.

To accomplish this objective, we:

- Matched all beneficiaries identified on the encounter claims submitted by the broker and MHPs for trips provided from January 1, 2018 through December 31, 2019 with MDHHS's death records to identify encounter claims submitted for dates of service after a beneficiary's date of death.
- Reviewed supporting documentation and CHAMPS enrollment information for 150 of the 724,087 broker encounter claims submitted to MDHHS for trips provided from January 1, 2018 through December 31, 2019 to determine whether the:
    - Beneficiary's Medicaid status was active at the time of the trip.
    - Beneficiary's medical needs form was signed by a medical professional.
    - Trip log was signed by the beneficiary and driver supporting the trip occurred.
    - Trip related to a carve-out service appointment for beneficiaries enrolled in an MHP.
- Reviewed supporting documentation and CHAMPS enrollment information for 150 of the 2,191,534 MHP

NEMT encounter claims submitted to MDHHS for trips provided from January 1, 2018 through December 31, 2019 to determine whether the:

  - Beneficiary's Medicaid status was active and if the beneficiary was enrolled in an MHP at the time of the trip.

  - Trip log was signed by the beneficiary and driver supporting the trip occurred.

- Reviewed supporting documentation and CHAMPS enrollment information for 100 of the 90,358 MDHHS local office fee-for-service NEMT payments processed from January 1, 2018 through December 31, 2019 to verify the accuracy of the payment amounts and determine whether the associated beneficiary's:

  - Medicaid status was active and if the beneficiary was enrolled in an MHP at the time of the trip.

  - Medical needs form was signed by a medical professional.

  - Medical transportation statement was signed by a medical professional and beneficiary supporting the trip occurred and a Medicaid covered service was provided.

- Reviewed driver- and vehicle-related documentation for the transportation providers (drivers), associated with the 150 broker encounter claims, 150 MHP NEMT encounter claims, and 100 local office NEMT payments selected in the 3 preceding bullets, to determine whether:

  - The driver's license was valid and the vehicle was appropriately registered and insured as of the date of the trip.

  - MDHHS, the broker, or MHP performed the required criminal history and sex offender registry checks on the driver.

- Performed criminal history and sex offender registry checks for the 49 unique volunteer drivers associated with the 100 local office NEMT payments we reviewed.

- Compared NEMT encounter claims submitted by the broker and MHPs, for trips provided from January 1, 2018 through December 31, 2019, with CHAMPS data to determine whether the NEMT encounter claim dates corresponded with when Medicaid covered services occurred.

- Analyzed all broker and MHP encounter claims, for trips provided to beneficiaries residing in Macomb, Oakland, and Wayne Counties from January 1, 2018 through December 31, 2019, to identify potential duplicate encounter claims.

- Obtained an understanding of MDHHS's processes for monitoring the broker's compliance with contract provisions.

- Reviewed monthly reports submitted by the broker, covering the period January 2018 through December 2019, to determine whether the broker indicated compliance with contractual performance standards related to beneficiary pick-up and drop-off times and call center abandonment rates.

- Examined MDHHS's October 2018 and November 2019 annual compliance review reports of the broker and inquired whether MDHHS followed up instances of noncompliance.

- Determined whether MDHHS received the 8 beneficiary satisfaction survey quarterly reports required by the broker contract, covering the period January 2018 through December 2019.

- Selected 4 months from the period January 2018 through December 2019 and examined 30 of the 187 monthly reports and 44 of the 232 weekly reports, including call center reports, complaint summary reports, and transportation trip summary reports, to determine whether the broker provided the required reports.

- Reviewed the 471 beneficiary complaints pertaining to the broker, received by MDHHS from January 1, 2018 through December 31, 2019, to determine whether MDHHS or the broker appropriately followed up on the complaints.

- Inquired as to whether MDHHS had evaluated the cost-effectiveness of the broker payment structure.

- Inquired as to how MDHHS tracks and evaluates NEMT services provided through its local offices.

Our samples were randomly selected to eliminate bias and enable us to project the results to the respective populations.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State

government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 4 findings and 4 corresponding recommendations. MDHHS's preliminary response indicates that it agrees with 3 recommendations and disagrees with 1 recommendation.

The agency preliminary response following each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

SUPPLEMENTAL INFORMATION

Our audit report includes total expenditures and number of trips by type of service coordinator presented as supplemental information. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

auditor's comments to agency preliminary response	Comments that the OAG includes in an audit report to comply with *Government Auditing Standards.* Auditors are required to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement.
beneficiary	As used in this report, an individual who has been determined to be Medicaid eligible.
broker	As used in this report, the transportation brokerage company MDHHS used to arrange and provide NEMT services for beneficiaries residing in Macomb, Oakland, and Wayne Counties.
capitated rate	A per person, per month fee, or a one-time fee for certain covered events, paid under a system of reimbursement. The fees are paid for each beneficiary assigned regardless of the number or cost of services provided.
carve-out services	Services not covered for MHP enrollees by their MHP, including dental, mental health, and substance abuse services.
CHAMPS	Community Health Automated Medicaid Processing System.
CMS	Centers for Medicare and Medicaid Services.
Code of Federal Regulations (CFR)	The codification of the general and permanent rules published by the departments and agencies of the federal government.
DTMB	Department of Technology, Management, and Budget.
effectiveness	Success in achieving mission and goals.
efficiency	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
encounter claim	Detailed data about individual services provided by MHPs or the broker. The level of detail about each service reported is similar to that of a standard claim form.

fee-for-service beneficiary	As used in this report, Medicaid beneficiaries who are not covered by an MHP or the broker.
goal	An intended outcome of a program or an entity to accomplish its mission.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MDHHS	Michigan Department of Health and Human Services.
MHP	Medicaid Health Plan.
NEMT	non-emergency medical transportation.
non-public transportation	As used in this report, transportation provided by ride-sharing companies (e.g., Lyft); volunteers; commercial providers such as taxis or wheelchair/Medivan services; family and friends of the beneficiary; or the beneficiaries themselves.
objective	Specific outcome(s) that a program or an entity seeks to achieve its goals.
OIG	Office of Inspector General.
outcome	An actual impact of a program or an entity.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
performance standard	A desired level of output or outcome.

public transportation	Transportation provided by a public entity that provides regular or special continuing transportation available for use by the general public (e.g., buses).
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
Statewide Integrated Governmental Management Applications (SIGMA)	The State's enterprise resource planning business process and software implementation that support budgeting, accounting, purchasing, human resource management, and other financial management activities.

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