

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**MICHIGAN DID NOT ALWAYS COMPLY  
WITH FEDERAL AND STATE  
REQUIREMENTS FOR CLAIMS  
SUBMITTED FOR THE NONEMERGENCY  
MEDICAL TRANSPORTATION  
BROKERAGE PROGRAM**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov)*



Gloria L. Jarmon  
Deputy Inspector General  
for Audit Services

June 2018  
A-05-16-00021

# *Office of Inspector General*

<https://oig.hhs.gov>

---

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## *Office of Audit Services*

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

## *Office of Evaluation and Inspections*

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## *Office of Investigations*

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

---

**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <https://oig.hhs.gov>

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that  
OIG post its publicly available reports on the OIG website.

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

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

## Report in Brief

Date: June 2018

Report No. A-05-16-00021

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

The Medicaid program pays for nonemergency medical transportation (NEMT) services that a State determines to be necessary for beneficiaries to obtain care. Prior OIG audit reports have consistently identified NEMT services as vulnerable to fraud, waste, and abuse.

Our objective was to determine whether Michigan's NEMT brokerage program claimed Medicaid reimbursement for NEMT services provided by its contracted provider, LogistiCare, in accordance with Federal and State requirements.

### How OIG Did This Review

We reviewed Michigan's oversight of its NEMT brokerage program, including its monitoring of LogistiCare's compliance with Federal and State requirements for verifying that (1) beneficiaries received a Medicaid-eligible service performed on the NEMT date of service, (2) transportation provider qualifications met State regulations, (3) vehicles complied with State regulations, (4) there was adequate documentation supporting all provisions of the NEMT program, and (5) NEMT transportation providers retained all appropriate records. We reviewed 200 randomly sampled claims from LogistiCare's 682,819 transports between October 2012 and September 2014 for which LogistiCare was paid \$24.9 million.

## Michigan Did Not Always Comply With Federal and State Requirements for Claims Submitted for the Nonemergency Medical Transportation Brokerage Program

### What OIG Found

Of the 200 claims in our sample, 105 did not comply with Federal and State requirements. Specifically, Michigan's oversight and monitoring of LogistiCare did not ensure that NEMT services were adequately documented; driver qualifications were met; vehicle inspection, safety, and insurance requirements were met; and NEMT records were maintained.

On the basis of our sample results, we estimated that at least 243,508 Medicaid claims, totaling \$4.5 million (Federal share), did not comply with Federal and State regulations. Because the items we reviewed related to LogistiCare's assurances on the safety of the vehicles used to transport Medicaid patients and the qualifications of the individuals who drove those vehicles, LogistiCare's failure to provide full supporting documentation for those items posed a potential risk to the health and safety of the Medicaid beneficiaries who used the services of Michigan's Medicaid transportation brokerage program.

### What OIG Recommends and Michigan Comments

We recommend that Michigan refund \$4.5 million to the Federal Government, improve its oversight and monitoring of its NEMT brokerage program by requiring LogistiCare to strengthen its procedures, and controls over its process for reporting expenditures claimed for NEMT services. Also, Michigan should ensure that the State agency's contract with the transportation broker contains provisions that provide a means for the State agency to recoup, through future capitation rates, funds from the transportation broker when contract provisions and State requirements are not met.

In written comments on our draft report, Michigan acknowledged that additional improvements are necessary in regards to its oversight and monitoring of its NEMT broker and that it is in the process of working with the NEMT broker to implement corrective actions. Regarding our recommendation to refund \$4.5 million, Michigan said that a lack of some supporting documentation does not mean that the services provided were not appropriate and, therefore, does not agree that the entire amount should be refunded.

We maintain that our findings are valid. The contract specifies that both the services and the quality and safety of the services must have supporting documentation. Therefore, the lack of supporting documentation we found in our review were violations of the terms of the contract and render all the undocumented services unacceptable for payment.

## TABLE OF CONTENTS

INTRODUCTION .....	1
Why We Did This Review .....	1
Objective .....	1
Background .....	1
Medicaid Program .....	1
Medicaid Nonemergency Medical Transportation Services .....	1
Michigan’s Medicaid Nonemergency Medical Transportation Brokerage Program .....	2
How We Conducted This Review .....	2
FINDINGS .....	3
NEMT Service Claims Did Not Comply With Federal and State Requirements .....	4
NEMT Services Were Not Adequately Documented .....	5
Driver Qualifications Were Not Met .....	5
Vehicle Inspection, Safety, and Insurance Requirements Were Not Met .....	5
NEMT Records Were Not Maintained .....	6
Effect of Noncompliance on Medicaid Beneficiaries .....	6
RECOMMENDATIONS .....	6
STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE .....	7
APPENDICES	
A: Audit Scope and Methodology .....	8
B: Related Office of Inspector General Reports .....	10
C: Federal and State Regulations for the Nonemergency Medical Transportation Brokerage Program .....	11
D: Statistical Sampling Methodology .....	14
E: Sample Results and Estimates .....	16
F: Summary of Deficiencies for Each Sampled Claim .....	18

G: State Agency Comments.....25

## INTRODUCTION

### WHY WE DID THIS REVIEW

The Medicaid program pays for nonemergency medical transportation (NEMT) services that a State determines to be necessary for beneficiaries to obtain care. Prior Office of Inspector General (OIG) audit reports have consistently identified NEMT services as vulnerable to fraud, waste, and abuse. Further, the contracted broker in Michigan, LogistiCare Solutions, LLC (LogistiCare), was cited in a previous OIG audit report (A-02-14-01001) as a noncompliant provider of NEMT services in New Jersey's transportation brokerage program. Appendix B lists recent OIG reports related to NEMT.

### OBJECTIVE

Our objective was to determine whether the Michigan Department of Health & Human Services' (State agency's) NEMT brokerage program claimed Medicaid reimbursement for NEMT services provided by its contracted provider, LogistiCare, in accordance with Federal and State requirements.

### BACKGROUND

#### Medicaid Program

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

#### Medicaid Nonemergency Medical Transportation Services

States must ensure necessary transportation for Medicaid beneficiaries to and from medical providers (42 CFR § 431.53(a)). Transportation costs include expenses for transportation and other related travel expenses determined to be necessary by the State Medicaid agency to secure medical examinations and treatment for beneficiaries (42 CFR § 440.170(a)(1)).

A State may elect to establish an NEMT brokerage program to provide transportation services for Medicaid beneficiaries who need access to medical care or services and have no other

means of transportation. These transportation services include wheelchair vans, taxis, and other forms of transportation covered under the Medicaid State plan (42 CFR § 440.170(a)(4)).

In Michigan, the State agency provides NEMT through a Medicaid transportation brokerage program in three counties that account for approximately 78 percent of Michigan's Medicaid NEMT expenditures. The State agency's local county offices provide NEMT services in Michigan's other 80 counties.

### **Michigan's Medicaid Nonemergency Medical Transportation Brokerage Program**

Beginning October 1, 2010, the State agency contracted with LogistiCare to provide NEMT services through a Medicaid transportation brokerage program in Macomb, Oakland, and Wayne counties. The State agency's Medicaid State plan assures CMS that LogistiCare has oversight procedures to monitor beneficiary access and complaints and ensures that transport is provided in a timely manner and that transport personnel are licensed, qualified, competent, and courteous.<sup>1</sup> The plan also assures CMS that LogistiCare educates transportation providers regarding rules, regulations, policies, practices, and laws relating to the delivery of NEMT to eligible Medicaid beneficiaries and ensures that providers meet health and safety standards for vehicle maintenance, operation and inspection, and driver qualifications.<sup>2</sup>

In accordance with the contract between the State agency and LogistiCare, LogistiCare develops and maintains a provider network, verifies beneficiary eligibility, determines and authorizes the appropriate mode of transport on the basis of medical necessity, and dispatches an appropriate vehicle to transport the beneficiary (LogistiCare contract § 1.022).

During our audit period, the State agency paid LogistiCare on a fee-for-service (FFS) basis from October 1, 2012, through November 30, 2013. Beginning December 1, 2013, the State agency paid LogistiCare a monthly capitation payment per beneficiary for its costs for administering the program and paying providers.

See Appendix C for details on Federal and State regulations related to NEMT services.

### **HOW WE CONDUCTED THIS REVIEW**

We reviewed the State agency's oversight of its Medicaid NEMT brokerage program, including its monitoring of LogistiCare's compliance with Federal and State requirements for verifying that (1) beneficiaries received a Medicaid-eligible service performed on the NEMT date of service, (2) transportation provider qualifications met State regulations, (3) vehicles complied with State regulations, (4) there was adequate documentation supporting all provisions of the NEMT program, and (5) NEMT transportation providers retained all appropriate records.

---

<sup>1</sup> State plan, Supplement to Att. 3.1-A, p. 36b.

<sup>2</sup> State plan, Supplement to Att. 3.1-A, p. 36f, and LogistiCare contract § 1022B and 1.041.

We obtained claim information from the State agency consisting of 682,819 claims, totaling \$24,909,511, for which LogistiCare reimbursed transportation providers under Michigan's Medicaid NEMT brokerage program from October 1, 2012, through September 30, 2014. We reviewed a stratified random sample of 200 of these claims. A claim is defined as an individual Medicaid NEMT claim for service rendered by LogistiCare during the audit period. Of the 200 sampled claims, the State agency reimbursed LogistiCare for 109 as FFS and 91 through capitation payments.

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

See Appendix A for details of our audit scope and methodology.

## FINDINGS

The State agency's NEMT brokerage program did not always claim Medicaid reimbursement for NEMT services provided by its contracted provider, LogistiCare, in accordance with Federal and State regulations. Of the 200 claims in our random sample, 95 complied with Federal and State regulations and contract provisions, but 105 claims did not. Specifically, the State agency's oversight and monitoring of LogistiCare did not ensure that:

- NEMT services were adequately documented;
- driver qualifications were met;
- vehicle inspection, safety, and insurance requirements were met; and
- NEMT records were maintained.

These deficiencies occurred because LogistiCare did not always follow Federal and State regulations for billing NEMT services. Further, 23 of the 105 claims were noncompliant regarding more than 1 of the 4 cited issues.

On the basis of our sample results, we estimated that at least 243,508 Medicaid claims, totaling \$6,784,679 (\$4,503,738 Federal share), for NEMT services provided by LogistiCare did not comply with certain Federal and State regulations. Of the 105 noncompliant claims in our sample, the State agency reimbursed LogistiCare for 58 as FFS and 47 through capitation payments. In estimating the results of the 105 noncompliant claims, we projected dollar values only for the 58 noncompliant FFS claims in our sample<sup>3</sup> that were paid as FFS because the

---

<sup>3</sup> 42 CFR § 440.170(a)(4) and the Michigan State plan, Supplement to Att. 3.1A, pp. 36b & 36f.

related services on those claims are tied directly to payment and the State agency's assurances in the State plan that LogistiCare will provide NEMT services only to eligible Medicaid beneficiaries as required under Federal regulations and the State plan.

We projected the 47 noncompliant claims that were paid through capitation agreements as 0-dollar values because we could not tie payments to specific noncompliant services. However, it is inequitable to the Medicaid program that claims that violate contract provisions and State and Federal requirements be indirectly reimbursed through capitation payments. The State agency develops the capitation rates and, in doing so, can establish provisions whereby funds may be recouped from the transportation broker when contract provisions and State and Federal requirements are not met.

Appendix D contains our statistical sampling methodology, Appendix E contains our sample results and estimates, and Appendix F contains the summary of deficiencies, if any, identified for each sample claim.

### **NEMT SERVICE CLAIMS DID NOT COMPLY WITH FEDERAL AND STATE REQUIREMENTS**

To comply with Federal and State regulations, LogistiCare was responsible for ensuring that (1) beneficiaries received a Medicaid-eligible service performed on the NEMT date of service, (2) transportation provider qualifications met State regulations, (3) vehicles complied with State regulations, (4) there was adequate documentation supporting all provisions of the NEMT program, and (5) NEMT transportation providers retained all appropriate records.

We reviewed Michigan's Medicaid claims data for the 200 sampled NEMT claims to verify that there was a Medicaid-eligible service provided on the date of the NEMT service.

To assess LogistiCare's compliance with Federal and State regulations related to the vehicles and drivers used for providing the NEMT services on our 200 sample claims, we requested supporting documentation for the following 7 types of information from LogistiCare:

- vehicle inspections,
- drivers' licenses and registrations,
- drivers' pre-employment drug testing,
- drivers' criminal background checks,
- drivers' driving history checks,

- drivers' first aid and cardiopulmonary resuscitation (CPR) certifications, and
- drivers' trip logs.

### **NEMT Services Were Not Adequately Documented**

A State plan for medical assistance must require every person or institution providing services to agree to keep such records as are necessary to fully disclose the extent of the services provided to individuals receiving assistance under the State plan (the Act § 1902(a)).

For 75 of the 200 reviewed claims, LogistiCare either did not provide the documents for 1 or more of the 7 items reviewed, or the documents were incomplete. Of the 75 claims, the State agency reimbursed LogistiCare for 46 as FFS and 29 through capitation payments.

### **Driver Qualifications Were Not Met**

LogistiCare's transportation providers are required to meet minimum transportation qualifications, which include, but are not limited to, background and driving history checks. Also, providers are required to obtain and maintain certifications for CPR and first aid and to obtain a drug test prior to employment (LogistiCare contract Att. B).

Driver qualification requirements were not met for 15 of the 200 reviewed claims. These deficiencies occurred because, for example, the driver did not hold the correct driver's license or the documentation LogistiCare provided was not for the driver listed on the trip log. Seven claims for which driver qualifications were not met also had services that were not adequately documented. Of the 15 claims, the State agency reimbursed LogistiCare for 6 as FFS and 9 through capitation payments.

### **Vehicle Inspection, Safety, and Insurance Requirements Were Not Met**

LogistiCare's transportation providers must meet health and safety standards for vehicle maintenance and inspection (LogistiCare contract, § 1.041, A). Likewise, transportation providers must hold minimum levels of insurance coverage that meet State requirements (LogistiCare contract, § 1.022, B, 3).

Vehicle inspection, safety, and insurance requirements were not met for 14 of the 200 reviewed claims. Although LogistiCare provided insurance documents for almost every sample item, in some cases, that was the only documentation provided, with the exception of trip logs. Because the trip logs were not filled out correctly and other requested documentation was missing, we could not verify that providers had appropriate insurance coverage or that inspections had been performed on vehicles used for NEMT services. In some instances, the insurance documents provided had expired prior to the NEMT trip date. LogistiCare also failed to provide listings of vehicles covered under umbrella insurance policies. Of the 14 claims, the State agency reimbursed LogistiCare for 6 as FFS and 8 through capitation payments.

## **NEMT Records Were Not Maintained**

Transportation providers are required to provide records and information regarding any invoices for services to LogistiCare. For 7 years, LogistiCare must maintain any copy of the records, documents, and papers pertinent to establishing a contractor's compliance with the contract and with applicable laws and rules (LogistiCare contract § 2.113 & 2.112).

For 1 of the 200 reviewed claims, LogistiCare did not provide any supporting documentation that was requested. For that 1 claim, the State agency reimbursed LogistiCare through a capitation payment.

## **EFFECT OF NONCOMPLIANCE ON MEDICAID BENEFICIARIES**

Because the types of information we reviewed related to LogistiCare's assurances on the safety of the vehicles used to transport Medicaid patients and the qualifications of the individuals who drove those vehicles, LogistiCare's failure to provide full supporting documentation for the seven items posed a potential risk to the health and safety of the Medicaid beneficiaries who used the services of Michigan's Medicaid transportation brokerage program.

## **RECOMMENDATIONS**

We recommend that the State agency:

- refund \$4,503,738 to the Federal Government;
- improve its oversight and monitoring of its Medicaid NEMT brokerage program by requiring LogistiCare to strengthen its procedures to ensure that (1) NEMT services are adequately documented and the documentation maintained according to Federal and State regulations; (2) transportation provider qualifications meet State requirements; and (3) vehicle inspection, safety, and insurance requirements are met;
- strengthen its controls over its process for reporting expenditures claimed for NEMT services; and
- ensure that the State agency's contract with the transportation broker contains provisions that (1) consider improper claims submitted by transportation providers to the transportation broker when developing future capitated rates paid by the State agency and (2) provide a means for the State agency to recoup funds from the transportation broker when contract provisions and State requirements are not met—a measure that, if incorporated, could result in cost savings for the Medicaid program.

**STATE AGENCY COMMENTS  
AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, the State agency acknowledged that additional improvements are necessary in regards to its oversight and monitoring of its NEMT broker and that it is in the process of working with the NEMT broker to implement corrective actions. Regarding our recommendation to refund \$4,503,738 to the Federal Government, the State agency said that a lack of some supporting documentation does not mean that the services provided were not appropriate and, therefore, does not agree that the entire amount should be refunded. The State agency said that the majority of missing documentation was related to the use of taxis. The State agency said that the broker needed to use taxis because it had not anticipated the high volume of users and that the providers were not adequately equipped to provide the level of services requested. In addition, the State agency said that municipalities were not forthcoming with taxi records, which limited the broker's ability to obtain full documentation and keep records of NEMT services.

The State agency's comments are included in their entirety as Appendix G.

After reviewing the State agency's comments, we maintain that our findings are valid. We disagree with the State agency's comment that the lack of some supporting documentation does not mean that the services provided were not appropriate. The NEMT contract is not limited to providing services; rather, it includes assurances about the quality and safety of the services provided. Further, the contract specifies that both the services and the quality and safety of the services must have supporting documentation. Therefore, the lack of supporting documentation we found in our review were violations of the terms of the contract and render all the undocumented services unacceptable for payment. Also, the State agency's assertion that municipalities were not forthcoming with taxi records does not relieve the broker or the State agency of their contractual obligation to monitor the services and the quality and safety of the services provided under the NEMT program. The problem that the State agency noted with municipality taxi records should have been resolved, through proper monitoring, in a timely manner to ensure compliance with the terms of the NEMT contract.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed paid NEMT claims from the State agency to LogistiCare for the period October 1, 2012, through September 30, 2014, under the State's NEMT transportation brokerage program, to determine whether the State agency claimed Medicaid reimbursement in accordance with Federal and State requirements. Michigan provides NEMT through a Medicaid transportation brokerage program in three counties that account for approximately 78 percent of Michigan's Medicaid NEMT expenditures.

We did not review the overall internal control structure of the State agency, LogistiCare, or Michigan's Medicaid program. Rather, we reviewed only those controls related to our objective. We did not assess the appropriateness of the State agency capitation payment rates.

We conducted fieldwork at the State agency's offices in Lansing, Michigan, and at LogistiCare in Southfield, Michigan.

### METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and State laws and regulations;
- held discussions with State officials to gain an understanding of the State agency's NEMT program;
- selected a stratified random sample of 200 lines of service from the population of claims, consisting of 70, 70, and 60, respectively;
- interviewed LogistiCare personnel and reviewed LogistiCare's documentation supporting claims for NEMT services:
  - reviewed drug tests for use of controlled substances and whether the testing occurred before employees were hired,
  - reviewed State of Michigan documentation (drivers' licenses and registrations) for validity,
  - reviewed drivers' histories to verify that there were no more than 2 moving violations within the previous 3 years,
  - reviewed background check documentation for NEMT drivers,

- reviewed insurance documentation for adequate liability insurance,
- reviewed documentation for first aid and CPR certifications,
- reviewed documentation for annual vehicle inspections, and
- reviewed documentation of trip logs;
- reviewed Michigan’s Medicaid data to verify that Medicaid-eligible services were performed on the date NEMT services were provided;
- estimated the total number of claims that were not in compliance with the contract, State regulations, or Federal regulations and the dollar amount of reimbursements associated with the FFS claims; and
- discussed the results of the review with State agency officials.

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

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

**APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>Minnesota Did Not Always Comply With Federal and State Requirements for Claims Submitted for the Nonemergency Medical Transportation Program</i>	<a href="#">A-05-15-00026</a>	9/15/2017
<i>Oklahoma Did Not Adequately Oversee Its Medicaid Nonemergency Medical Transportation Program</i>	<a href="#">A-06-16-00007</a>	8/4/2017
<i>Nebraska Did Not Always Comply With Federal and State Requirements for Claims Submitted for the Nonemergency Transportation Program</i>	<a href="#">A-07-16-03209</a>	3/1/2017
<i>Louisiana Did Not Always Comply With Federal and State Requirements for Claims Submitted for the Nonemergency Medical Transportation Program</i>	<a href="#">A-06-15-00019</a>	1/12/2017
<i>North Carolina Improperly Claimed Federal Reimbursement for Some Medicaid Nonemergency Transportation Services</i>	<a href="#">A-04-15-04037</a>	1/18/2016
<i>New Jersey Did Not Adequately Oversee Its Medicaid Nonemergency Medical Transportation Brokerage Program</i>	<a href="#">A-02-14-01001</a>	7/5/2016
<i>California Claimed Medicaid Reimbursement for Certain Nonemergency Medical Transportation Services in Los Angeles County Billed as Exempt From Prior Authorization That Did Not Comply With Federal and State Requirements</i>	<a href="#">A-09-13-02054</a>	3/30/2015
<i>California Claimed Medicaid Reimbursement for Some Nonemergency Medical Transportation Services That Did Not Comply With Federal and State Requirements</i>	<a href="#">A-09-13-02033</a>	1/23/2015
<i>Texas Did Not Always Comply With Federal and State Requirements for Claims Submitted for the Nonemergency Medical Transportation Program</i>	<a href="#">A-06-12-00053</a>	10/20/2014
<i>California Claimed Medicaid Reimbursement for Some Nonemergency Medical Transportation Services in Los Angeles County That Did Not Comply With Federal and State Requirements</i>	<a href="#">A-09-12-02083</a>	6/24/2014

## **APPENDIX C: FEDERAL AND STATE REGULATIONS FOR THE NONEMERGENCY MEDICAL TRANSPORTATION BROKERAGE PROGRAM**

### **FEDERAL REGULATIONS**

Federal regulations require States to ensure necessary transportation for Medicaid beneficiaries to and from medical providers (42 CFR § 431.53). Federal regulations state that transportation includes expenses for transportation (e.g., NEMT) and other related travel expenses determined to be necessary by the State Medicaid agency to secure medical examinations and treatment for a beneficiary. Transportation services provided to Medicaid beneficiaries have been traditionally reimbursed under the FFS arrangement (42 CFR § 440.170).

Under Federal regulations, States may elect to establish a Medicaid NEMT brokerage program to provide transportation services more cost effectively 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. These transportation services include wheelchair vans, taxis, stretcher cars, bus passes and tickets, transportation containing an occupant protection system that addresses safety needs of disabled or special needs individuals, and other forms of transportation covered under the State plan (42 CFR § 440.170(a)(4)).

A State plan for medical assistance must “(27) provide for agreements with every person or institution providing services under the State plan under which such person or institution agrees (A) to keep such records as are necessary fully to disclose the extent of the services provided to individuals receiving assistance under the State plan” (the Act § 1902(a)).

Section 1902(a)(70) of the Act, as amended by the Deficit Reduction Act of 2005, provides States the authority to establish, under the State plan, a more cost-effective NEMT brokerage program to provide transportation for Medicaid beneficiaries.

### **STATE REGULATIONS**

#### **State Policy**

The State agency ensures that medical transportation is available to a Medicaid-eligible requesting individual to receive any Medicaid-covered service from any Medicaid-enrolled provider (Bridges Administrative Manual (BAM 825)).

#### **Medicaid State Plan**

The State ensures that transportation services will be provided under a contract with a broker that has oversight procedures to monitor beneficiary access and complaints and ensures that transport is timely and transport personnel are licensed, qualified, competent, and courteous (Michigan Medicaid State plan, Supplement to Att. 3.1-A, p. 36b).

The broker educates transportation providers regarding rules, regulations, policies, practices, and laws relating to the delivery of NEMT to eligible Medicaid beneficiaries and ensures that providers meet health and safety standards for vehicle maintenance, operation, and inspection, and driver qualifications (Michigan Medicaid State plan, Supplement to Att. 3.1-A, p. 36f).

For an NEMT service to qualify for Medicaid reimbursement, NEMT services must be provided only for those medical services that are a Medicaid benefit. NEMT services must be available to obtain medical evidence or receive a Medicaid-covered service from any Medicaid-enrolled provider (Michigan Medicaid State plan, Supplement to Att. 3.1A, pp. 36b & 36f).

### **Contract With LogistiCare**

The contractor develops and maintains a provider network, verifies beneficiary eligibility, determines and authorizes the appropriate mode of transport on the basis of medical necessity, and dispatches an appropriate vehicle to transport the beneficiary (LogistiCare contract, § 1.022).

“The contractor must ensure that any subcontractor providing transportation services carry automobile liability insurance with a minimum of \$1,000,000 per occurrence” (LogistiCare contract, § 1.022, B(3)).

“The contractor must establish reasonable safety and quality standards for the provision of NEMT. Transportation providers must meet health and safety standards for vehicle maintenance, operation and inspection, driver qualifications and training, and the delivery of courteous, safe, and timely transportation services” (LogistiCare contract, § 1.041, A).

“The contractor must maintain at least until the end of the audit period, all pertinent financial and accounting records (including timesheets and payroll records, information pertaining to the contract, and to the services, equipment, and commodities provided under the contract) pertaining to the contract according to generally accepted accounting principles and other procedures specified in this section” (LogistiCare contract, § 2.113).

According to the minimum transportation provider qualifications (Att. B), drivers must:

- possess a current valid State license appropriate for the vehicle being operated;
- have a valid demonstration of previous driving record:
  - no driving convictions or
  - no more than two convictions for moving violations in the last 3 years;
- be trained in the operation of all vehicle equipment, first aid, CPR, emergency exits, fire extinguishers, wheelchair lifts, lockdowns, etc.;

- have no convictions of any sexual crime or crime of violence; and
- have a pre-employment drug test.

## APPENDIX D: STATISTICAL SAMPLING METHODOLOGY

### TARGET POPULATION

The population consisted of all Medicaid paid NEMT claims greater than \$1 for services provided by LogistiCare to Medicaid beneficiaries in the three counties of Macomb, Oakland, and Wayne from October 1, 2012, through September 30, 2014.

### SAMPLING FRAME

The sampling frame was an excel file containing 682,819 claims (more than \$1), totaling \$24,909,511, for services rendered by LogistiCare from October 1, 2012, through September 30, 2014. The State agency provided the files.

### SAMPLE UNIT

The sample unit was a claim for an NEMT service.

### SAMPLE DESIGN

Our sample design consisted of a stratified random sample based on paid claim amounts. The sampling frame was partitioned into 3 strata. We randomly selected claims from each stratum. The strata were as follows:

**Table 1: Stratified Random Sample Details**

Stratum	Stratum Boundaries	Number of Line Items	Dollar Value of Line Items
1	\$1 - \$29.99	232,820	\$3,958,216
2	\$30 - \$58.99	362,184	12,877,948
3	\$59 - \$720.01	87,815	8,073,347
<b>Total</b>		<b>682,819</b>	<b>\$24,909,511</b>

### SAMPLE SIZE

The sample consisted of 200 sample units. Stratum 1 consisted of 70 sample units, stratum 2 consisted of 70 sample units, and stratum 3 consisted of 60 sample units.

### SOURCE OF RANDOM NUMBERS

We generated the random numbers using the OIG, Office of Audit Services (OAS), statistical software.

## **METHOD OF SELECTING SAMPLE UNITS**

We consecutively numbered the sample units for each of the three strata. After generating random numbers for each of the three strata, we selected the corresponding frame items.

## **ESTIMATION METHODOLOGY**

We used the OIG/OAS statistical software to calculate our estimates. We estimated the total number of claims that were not in compliance and the total dollars associated with these claims at the lower limit.

During our audit period, the State agency paid LogistiCare on an FFS basis from October 1, 2012, through November 30, 2013. Beginning December 1, 2013, through September 30, 2014, the State agency paid LogistiCare a monthly capitation payment per beneficiary for its costs for administering the program and paying providers. Of the 200 claims in our sample, the State agency reimbursed LogistiCare for 109 as FFS and 91 through capitation payments.

Our review of the 200 sampled claims disclosed 105 noncompliant claims, of which the State agency reimbursed LogistiCare for 58 as FFS and 47 through capitation payments.

Projecting our sample results, we estimated that at least 243,508 Medicaid claims, totaling \$6,784,679 (\$4,503,738 Federal share), for NEMT services provided by LogistiCare did not comply with certain Federal and State requirements. In estimating the results of the 105 noncompliant claims, we projected dollar values of only the 58 noncompliant claims in our sample that were paid as FFS because the related services on those claims were tied directly to payments and the State agency's assurances in the State plan that LogistiCare will provide NEMT services only to eligible Medicaid beneficiaries according to the governing policies and as required under 42 CFR § 440.170(a)(4) and the Michigan State plan, Supplement to Att. 3.1A, pp. 36b & 36f. We projected the 47 noncompliant claims that were paid on a capitation basis as \$0 values because we could not tie the noncompliant services directly to a specific payment.

**APPENDIX E: SAMPLE RESULTS AND ESTIMATES**

**Table 2: Stratum 1 Sample Details and Results of Unallowable Services**

<b>Claims in Frame</b>	<b>Value of Frame</b>	<b>Sample Size</b>	<b>Value of Sample</b>	<b>Number of Claims Not in Compliance</b>	<b>Value of Claims Not in Compliance</b>
232,820	\$3,958,216	70	\$1,168	20	\$139

**Table 3: Estimates of Unallowable Services  
(Limits Calculated for a 90-Percent Confidence Interval)**

	<u><b>Total Value</b></u>	<u><b>Total Value (Federal Share)</b></u>	<u><b>Total Claims</b></u>
Point estimate	\$461,848	\$306,558	66,520
Lower limit	178,238	118,322	
Upper limit	745,458	494,794	

**Table 4: Stratum 2 Sample Details and Results of Unallowable Services**

<b>Claims in Frame</b>	<b>Value of Frame</b>	<b>Sample Size</b>	<b>Value of Sample</b>	<b>Number of Claims Not in Compliance</b>	<b>Value of Claims Not in Compliance</b>
362,184	\$12,877,948	70	\$2,535	25	\$546

**Table 5: Estimates of Unallowable Services  
(Limits Calculated for a 90-Percent Confidence Interval)**

	<u><b>Total Value</b></u>	<u><b>Total Value (Federal Share)</b></u>	<u><b>Total Claims</b></u>
Point estimate	\$2,826,484	\$1,876,384	129,351
Lower limit	1,673,562	1,110,996	
Upper limit	3,979,406	2,641,771	

**Table 6: Stratum 3 Sample Details and Results of Unallowable Services**

Claims in Frame	Value of Frame	Sample Size	Value of Sample	Number of Claims Not in Compliance	Value of Claims Not in Compliance
87,815	\$8,073,347	60	\$5,572	60	\$3,421

**Table 7: Estimates of Unallowable Services  
(Limits Calculated for a 90-Percent Confidence Interval)**

	<u>Total Value</u>	<u>Total Value (Federal Share)</u>	<u>Total Claims</u>
Point estimate	\$5,007,138	\$3,323,737	87,815
Lower limit	4,037,754	2,680,221	
Upper limit	5,976,522	3,967,253	

**Table 8: Overall Sample Details and Results of Unallowable Services**

Claims in Frame	Value of Frame	Sample Size	Value of Sample	Number of Claims Not in Compliance	Value of Claims Not in Compliance
682,819	\$24,909,511	200	\$9,275	105	\$4,106

**Table 9: Overall Estimates of Unallowable Services  
(Limits Calculated for a 90-Percent Confidence Interval)**

	<u>Total Value</u>	<u>Total Value (Federal Share)</u>	<u>Total Claims</u>
Point estimate	\$8,295,470	\$5,506,679	283,686
Lower limit	6,784,679	4,503,738	243,508
Upper limit	9,806,262	6,509,620	323,865

**APPENDIX F: SUMMARY OF DEFICIENCIES FOR EACH SAMPLED CLAIM**

**Legend**

<b>Deficiency</b>	<b>Description</b>
1	Driver Qualifications Not Met
2	Vehicle Inspection, Safety, and Insurance Requirements Not Met
3	Services Not Adequately Documented
4	Requested Documents Not Provided

**Table 10: Stratum 1 Deficiencies**

<b>Sample No.</b>	<b>Deficiency 1</b>	<b>Deficiency 2</b>	<b>Deficiency 3</b>	<b>Deficiency 4</b>	<b>No. of Deficiencies</b>
1					
2					
3					
4					
5					
6					
7				X	1
8	X		X		2
9					
10			X		1
11					
12					
13					
14					
15					
16					
17			X		1
18					
19					
20					
21					
22	X				1
23					
24	X		X		2
25			X		1
26					
27					
28			X		1

Sample No.	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	No. of Deficiencies
29					
30					
31					
32			X		1
33					
34		X	X		2
35					
36			X		1
37					
38					
39	X				1
40					
41					
42					
43					
44					
45					
46	X				1
47			X		1
48					
49					
50			X		1
51					
52					
53					
54					
55					
56					
57					
58					
59					
60			X		1
61		X	X		2
62			X		1
63					
64					
65			X		1
66			X		1
67					

Sample No.	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	No. of Deficiencies
68					
69					
70					
<b>Total</b>	<b>5</b>	<b>2</b>	<b>16</b>	<b>1</b>	<b>24</b>

**Table 11: Stratum 2 Deficiencies**

Sample No.	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	No. of Deficiencies
1					
2					
3					
4					
5					
6			X		1
7			X		1
8			X		1
9					
10	X				1
11			X		1
12					
13			X		1
14			X		1
15					
16					
17					
18					
19					
20					
21			X		1
22					
23					
24			X		1
25					
26			X		1
27					
28					

Sample No.	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	No. of Deficiencies
29					
30			X		1
31					
32			X		1
33					
34			X		1
35					
36	X				1
37					
38					
39					
40					
41					
42					
43			X		1
44					
45					
46					
47					
48					
49					
50					
51					
52	X				1
53					
54					
55			X		1
56					
57			X		1
58					
59	X				1
60			X		1
61		X	X		2
62					
63			X		1
64					
65			X		1
66			X		1
67			X		1

Sample No.	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	No. of Deficiencies
68					
69					
70					
<b>Total</b>	<b>4</b>	<b>1</b>	<b>21</b>	<b>0</b>	<b>26</b>

**Table 12: Stratum 3 Deficiencies**

Sample No.	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	No. of Deficiencies
1		X	X		2
2			X		1
3			X		1
4	X		X		2
5		X	X		2
6			X		1
7			X		1
8			X		1
9			X		1
10			X		1
11			X		1
12			X		1
13			X		1
14			X		1
15			X		1
16			X		1
17			X		1
18			X		1
19		X	X		2
20			X		1
21			X		1
22			X		1
23			X		1
24			X		1
25			X		1
26			X		1
27			X		1
28			X		1
29			X		1
30		X	X		2

Sample No.	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	No. of Deficiencies
31		X	X		2
32	X	X	X		3
33			X		1
34		X	X		2
35			X		1
36			X		1
37			X		1
38		X	X		2
39		X	X		2
40		X	X		2
41		X	X		2
42			X		1
43	X		X		2
44			X		1
45	X		X		2
46			X		1
47			X		1
48		X	X		2
49			X		1
50			X		1
51			X		1
52	X		X		2
53			X		1
54			X		1
55			X		1
56			X		1
57			X		1
58			X		1
59	X		X		2
60			X		1
<b>Total</b>	<b>6</b>	<b>12</b>	<b>60</b>	<b>0</b>	<b>78</b>

**Table 13: CATEGORY TOTALS**

<b>Deficiency</b>	<b>Description</b>	<b>Totals</b>
1	Driver and Training Requirements Not Met	<b>15</b>
2	Vehicle Inspection, Safety, and Insurance Requirements Not Met	<b>15</b>
3	Services Not Adequately Documented	<b>97</b>
4	Requested Documents Not Provided	<b>1</b>
	<b>Total</b>	<b>128*</b>

\* 23 claims contained more than one deficiency.



STATE OF MICHIGAN  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

RICK SNYDER  
GOVERNOR

NICK LYON  
DIRECTOR

April 11, 2018

Ms. Sheri L. Fulcher  
Regional Inspector General  
Office of Audit Services, Region V  
233 North Michigan, Suite 1360  
Chicago, Illinois 60601

Re: Report Number A-05-16-00021

Dear Ms. Fulcher:

Enclosed is the Michigan Department of Health and Human Services response to the draft report entitled "Michigan Did Not Always Comply With Federal and State Requirements for Claims Submitted for the Nonemergency Medical Transportation Brokerage Program".

We appreciate the opportunity to review and comment on the report before it is released. If you have any questions regarding this response, please refer them to Pam Myers at [Myersp3@michigan.gov](mailto:Myersp3@michigan.gov) or (517) 373-1508.

Sincerely,

Nick Lyon

Nick Lyon

NL:kk

c: Farah Hanley  
Kathy Stiffler  
Pam Myers

Michigan Did Not Always Comply With Federal and State Requirements for Claims Submitted for the  
Nonemergency Medical Transportation Brokerage Program  
for Fiscal Years 2013 and 2014  
(A-05-16-00021)

Finding

The State agency's NEMT brokerage program did not always claim Medicaid reimbursement for NEMT services provided by its contracted provider, LogistiCare, in accordance with Federal and State regulations. Of the 200 claims in our random sample, 95 complied with Federal and State regulations and contract provisions, but 105 claims did not. Specifically, the State agency's oversight and monitoring of LogistiCare did not ensure that:

- NEMT services were adequately documented;
- driver qualifications were met;
- vehicle inspection, safety, and insurance requirements were met; and
- NEMT records were maintained.

These deficiencies occurred because LogistiCare did not always follow Federal and State regulations for billing NEMT services.

Recommendations

We recommend that the State agency:

- refund \$4,503,738 to the Federal Government;
- improve its oversight and monitoring of its Medicaid NEMT brokerage program by requiring LogistiCare to strengthen its procedures to ensure that (1) NEMT services are adequately documented and the documentation maintained according to Federal and State regulations; (2) transportation provider qualifications meet State requirements; and (3) vehicle inspection, safety, and insurance requirements are met;
- strengthen its controls over its process for reporting expenditures claimed for NEMT services; and
- ensure that the State agency's contract with the transportation broker contains provisions that (1) consider improper claims submitted by transportation providers to the transportation broker when developing future capitated rates paid by the State agency and (2) provide a means for the State agency to recoup funds from the transportation broker when contract provisions and State requirements are not met—a measure that, if incorporated, could result in cost savings for the Medicaid program.

MDHHS Response

MDHHS acknowledges that additional improvements are necessary in regards to its oversight and monitoring of its NEMT broker. However, a lack of some supporting documentation does not mean that the services provided were not appropriate, therefore MDHHS does not agree that the entire \$4,503,738 should be refunded. MDHHS initiated the pilot brokerage program in Wayne, Oakland, and Macomb counties because of the challenges encountered in these large metropolitan areas in providing timely viable NEMT services. During the pilot, MDHHS' broker encountered a higher volume of users than what had been anticipated and their providers were not adequately equipped for the level of services requested to ensure there were no access to care issues. This forced the use of taxis, governed at the local municipality level, to meet demand while the state and the contractor worked together to improve the transportation network in the region. While the use of taxis provided a means of transportation, it also presents administrative challenges, and therefore as other means become available the use of taxis is discontinued to the fullest extent possible. Municipalities have not been forthcoming with taxi records, thus limiting the Contractor's availability of full documentation and record keeping of NEMT services. Which resulted in the majority of the missing documentation noted. In addition, MDDHS is in the process of working with its NEMT broker to implement, or has implemented, the following:

Michigan Did Not Always Comply With Federal and State Requirements for Claims Submitted for the  
Nonemergency Medical Transportation Brokerage Program  
for Fiscal Years 2013 and 2014  
(A-05-16-00021)

- worked with Logisticare to enhance its field monitoring staff and facility representatives to help ensure provider compliance with contract requirements. MDHHS is in the process of enrolling all atypical providers into its claims processing system (CHAMPS) to enable online verification of some federal and state requirements. In addition, MDHHS is in the process of enhancing its contract provisions to require submission of a percentage of transportation records on a quarterly basis for further review;
- incorporation of new electronic record storage capabilities for enhanced documentation retention; and
- implemented integrated vehicle GPS tracking and electronic signatures to assure beneficiaries are being transported to the reported appointments and that proper documentation is obtained. In addition, MDHHS will identify specific requirements and possible penalties for noncompliance with contract terms during its development of its upcoming new contract.