



DEPARTMENT OF JUSTICE | OFFICE OF THE INSPECTOR GENERAL

MANAGEMENT ADVISORY MEMORANDUM

20-059

APRIL 2021

Notification of Concerns Identified in
Connection with the Federal Bureau of
Prisons' Procurement of Air Ambulance
Services

INVESTIGATIONS DIVISION



DEPARTMENT OF JUSTICE | OFFICE OF THE INSPECTOR GENERAL

April 5, 2021

Management Advisory Memorandum

To: Michael Carvajal
Director
Federal Bureau of Prisons

From: Michael E. Horowitz
Inspector General

Subject: Notification of Concerns Identified in Connection with the Federal Bureau of Prisons' Procurement of Air Ambulance Services

The purpose of this memorandum is to advise you of concerns the Department of Justice Office of the Inspector General (OIG) identified in connection with the Federal Bureau of Prisons' (BOP) procurement of air ambulance services. Specifically, through data analytics efforts and recent investigative activity, the OIG found that current BOP Comprehensive Medical Services contracts do not specifically address air ambulance services, or otherwise address how they should be reimbursed, and therefore do not require that air ambulance services be reimbursed using Medicare benchmark rates. We found that this has led to inconsistent claims and payments for air ambulance services across BOP institutions, and that the BOP in many cases has reimbursed air ambulance claims at excessive rates as compared to Medicare reimbursement rates. In this memorandum, the OIG makes two recommendations to address the concerns we identified.

Background

In 2016, the OIG began collecting and analyzing healthcare claims from Comprehensive Medical Services contractors with the goal of detecting and investigating anomalous claims submitted to the BOP. To date, we have collected over a million such claims from multiple Comprehensive Medical Services contractors. According to BOP's Field Acquisition Office, from 2012 through the present, the BOP has held Comprehensive Medical Services contracts with approximately 20 contractors totaling approximately \$1 billion. These contracts have terms ending as far out as 2023. Based on comprehensive analysis of this data, the OIG identified anomalies in claims for air ambulance transportation and associated air mileage.¹

¹ An air ambulance is a specially equipped aircraft, typically a helicopter, used to transport sick or injured people to the hospital in case of an emergency. Although ground ambulances generally cost less than air ambulances, air ambulances provide a clear time-saving advantage. In the invoices and claims data we reviewed, air ambulance claims were billed to the BOP using Healthcare Common Procedure Coding System (HCPCS) codes, also known as Common Procedure Terminology (CPT) codes. An HCPCS code is an alphanumeric code used for billing a variety of non-physician-based services such as ambulance services, prosthetic devices, and drug

The BOP uses air ambulances to transport inmates with severe or life-threatening injuries to medical centers from BOP institutions.

Relevant Authorities

The BOP relies on outside medical services to provide care for inmates that cannot be provided by institution staff. There are no statutes or regulations that set BOP reimbursement rates for medical care provided to inmates. Instead, the BOP solicits and awards Comprehensive Medical Services contracts for each BOP institution to obtain outside medical services.

Within each Comprehensive Medical Services contract, there is a section outlining rates for various inpatient and outpatient services. The Comprehensive Medical Services contracts generally state that inpatient and outpatient medical services provided to BOP inmates will be reimbursed using the Medicare benchmark rate for the applicable Healthcare Common Procedure Coding System (HCPCS) code (sometimes referred to as Common Procedure Terminology or CPT codes), plus an additional percentage or “premium” that varies with locality and service type.

Like other healthcare providers, air ambulance companies submit invoices to a Comprehensive Medical Services contractor, which then bills the relevant BOP institution. In the invoices and claims data we reviewed, the Comprehensive Medical Services contractors billed the BOP for air ambulance claims using two HCPCS codes: HCPCS code A0431, which represents the cost associated with rotary wing transport regardless of distance traveled; and HCPCS code A0436, which represents the mileage associated with the transport. Medicare benchmark rates for these HCPCS codes vary depending upon the geographic location of the transport. However, the BOP’s Comprehensive Medical Services contracts do not reference air ambulance services or address how they should be reimbursed. As a result, the BOP Comprehensive Medical Services contracts do not require that air ambulance services be reimbursed using Medicare benchmark rates. BOP employees told us that when service types are not specifically addressed in Comprehensive Medical Services contracts, those services, including air ambulance services, should be negotiated by BOP officials.

The Problem

The OIG found, based on claims data collected from multiple Comprehensive Medical Services contractors, the BOP paid \$2,892,771.38 to six different Comprehensive Medical Services contractors for air ambulance services between October 6, 2011 and August 7, 2019. The total amounts paid by the BOP are identified in Table 1.²

infusions. This memorandum focuses on HCPCS codes A0431 and A0436, because these HCPCS codes were used in the invoices and claims data we reviewed. These codes represent ambulance transport services via rotary wing and the associated air mileage.

² The data in tables 1 and 2 of this memorandum were provided from each contractor and consolidated by the OIG. The OIG did not audit or validate the claims data provided for accuracy. Therefore, the amounts identified in these tables may not accurately reflect the actual amount billed to or paid by the BOP.

Table 1**Air Ambulance Claims Paid by the BOP**

Comprehensive Medical Services Contractor	HCPCS/CPT Code	Number of Claims Between 10/6/11 and 8/7/19	Total Paid Amount
Contractor 1	A0431	13	\$ 230,330.15
	A0436	13	\$ 146,870.61
Contractor 2	A0431	4	\$ 56,616.02
	A0436	4	\$ 22,691.65
Contractor 3	A0431	1	\$ 8,524.13
	A0436	1	\$ 2,611.60
Contractor 4	A0431	19	\$ 394,256.39
	A0436	3	\$ 131,579.60
Contractor 5	A0431	72	\$ 1,123,099.66
	A0436	70	\$ 770,423.14
Contractor 6	A0431	1	\$ 5,038.24
	A0436	1	\$ 730.19
Totals for these Six Comprehensive Medical Services Contractors		202	\$ 2,892,771.38

The BOP has not implemented any uniform guidance for the reimbursement of air ambulance claims by BOP institutions. Because BOP Comprehensive Medical Services contracts do not specifically reference air ambulance services or require them to be reimbursed using Medicare benchmark rates, most BOP institutions do not adjust air ambulance claims using the Medicare benchmark rates for the corresponding HCPCS codes. As a result, we found that BOP institutions are reimbursing air ambulance services at varying rates. We further found that most BOP institutions are simply paying the Comprehensive Medical Services contractors the amounts they bill for air ambulance services, without any adjustments and without regard for whether the rates billed are reasonable. In other words, although BOP officials told us that air ambulance rates are expected to be negotiated, we found that in most cases no such negotiation was taking place. Table 2 below identifies the total amounts paid by the five BOP institutions that paid the most for air ambulance claims between October 6, 2011 and August 7, 2019 (“top five BOP institutions”) to the six Comprehensive Medical Services contractors listed in Table 1.

Table 2**Payments Made by the Top Five BOP Institutions**

BOP Institution	HCPCS/CPT	Number of Claims	Total Paid Amount
USP McCreary	A0431	27	\$ 481,314.92
	A0436	26	\$ 398,801.26
FCI Manchester	A0431	11	\$ 243,843.36
	A0436	10	\$ 158,625.33
FCC Florence	A0431	13	\$ 230,330.15
	A0436	13	\$ 146,870.61
USP Terre Haute	A0431	3	\$ 127,220.75
	A0436	3	\$ 131,579.60
USP Coleman	A0431	12	\$ 118,416.59
	A0436	12	\$ 49,649.77
Totals		130	\$ 2,086,652.34

We found that if BOP institutions adjusted Comprehensive Medical Services contractor claims for air ambulance services using the applicable Medicare benchmark rates, this would result in significant cost savings for the BOP. For example, USP Terre Haute paid a total of \$127,220.75 for 3 air ambulance claims submitted under HCPCS code A0431. Pursuant to its medical services contract, USP Terre Haute reimburses outpatient medical services at the Medicare benchmark reimbursement rate plus an additional 55% premium. If USP Terre Haute categorized air ambulance services as outpatient medical services and adjusted the cost of these claims to reflect the Medicare benchmark rate for HCPCS code A0431 in Indiana, plus the additional 55% premium, the BOP would have saved over \$100,000, or over 85% of its current expense. Table 3 outlines these potential savings.³

Table 3**Potential Cost Savings – USP Terre Haute Air Ambulance Claims**

Claim Number	Paid Amount	Adjusted Amount	Estimated Savings
10/28/2014 -1-32	\$ 43,236.00	\$ 5,684.16	\$ 37,551.84
3/16/2015 - 1- 53	\$ 43,829.00	\$ 5,684.16	\$ 38,144.84
02/13/2015 – 20 -1	\$ 40,155.75	\$ 5,684.16	\$ 34,471.59
Totals	\$ 127,220.75	\$ 17,052.48	\$ 110,168.27

³ The 2021 Medicare Fee Schedule for Indiana for the rotary wing base transport rate of \$3,667.20 was used in this calculation and Table 3 to estimate the potential savings associated with adjusting the claim amount to reflect the Medicare benchmark rate. The 55% premium is USP Terre Haute's current rate for outpatient medical services. This calculation is an estimate of potential cost savings. Actual cost savings will vary based on, among other things, geographic location and specific transport type.

Conclusion

We concluded that the absence of uniform guidance to BOP institutions or contract provisions concerning reimbursement for air ambulance claims has resulted in inconsistent handling of air ambulance claims across BOP institutions. We further found that the BOP in many cases has reimbursed air ambulance claims at rates far in excess of the Medicare reimbursement rates. If each BOP institution adjusted all of its air ambulance claims to reflect the applicable Medicare benchmark rate plus the applicable premium for outpatient medical services, the BOP would realize significant percentage cost savings across its institutions.

Recommendations

The OIG recommends that the BOP take the following actions in order to remedy this issue.

1. The BOP should establish and implement a procurement plan for air ambulance services that includes procedures for processing both claims billed through existing and future Comprehensive Medical Services contracts and claims billed directly by Air Ambulance providers. This procurement plan should include a payment methodology for air ambulance claims to be calculated using appropriate HCPCS codes when applicable.
2. Upon establishing a procurement plan for air ambulance claims as described in Recommendation 1, the BOP should issue guidance to its Health Services Administrators and contracting staff about how to appropriately adjust and process air ambulance claims.

Please advise the OIG within 60 days of the date of this memorandum on what actions the BOP has taken or intends to take with regard to this issue. If you have any questions or would like to discuss the information in this memorandum, please contact me at (202) 514-3435 or Sarah E. Lake, Assistant Inspector General for Investigations, at (202) 616-4730.

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