



## SUMMARY



# A Review of the Non-Emergency Medical Transportation Program of the Dept. of Health and Human Services

### MISSION

The Legislative Audit Council conducts performance audits to find ways to reduce the cost and improve the performance of state agencies and programs. Our audits must be requested by members of the General Assembly or required by state law.

Audits by the Legislative Audit Council are conducted in accordance with generally accepted government auditing standards as set forth by the Comptroller General of the United States.

Approximately 18 months after the publication of most audits, we initiate a follow-up review to determine whether our recommendations have been implemented.

Members of the General Assembly asked us to review the non-emergency medical transportation (NEMT) program managed by the South Carolina Department of Health and Human Services (DHHS). The department operates this program to give Medicaid clients rides to and from medical facilities for non-emergency reasons, such as physician appointments, dialysis, and physical therapy. The objective of the program is to provide better assurance that clients are receiving the services covered by Medicaid.

Until 2007, the department managed the NEMT program by contracting directly with independent transportation providers throughout South Carolina. Under this in-house system, clients called DHHS staff to arrange trips.

In 2007, the department entered into contracts with two private brokers to subcontract with independent transportation providers and to arrange trips for clients. The length of these contracts is three years, ending in 2010, with an option for two one-year extensions. Total DHHS payments to the brokers are projected to be approximately \$140 million for a three-year contract period up to \$233 million for a five-year period.

### OVERALL FINDING

We found no evidence indicating whether an in-house management system or a broker-based system is inherently superior for minimizing cost or maximizing quality of service. Effective management by DHHS is important to the success of either system. However, the department did not use sufficient analysis or data in the operation of its former in-house system or in the process it used to purchase broker services. Although the department has improved its use of analysis and data in managing the NEMT program, further improvements are needed.

### NEMT IN-HOUSE SYSTEM IN OPERATION UNTIL 2007

- DHHS contracted with local transportation providers without using the competitive procurement methods required by state law.
- Goals and performance measures were not established for the cost of the program.
- Goals and performance measures were not established regarding quality of service.
- Internal controls for deterring fraud and abuse were minimal until 2006.

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## PROCUREMENT OF NEMT BROKER SERVICES

### FOR MORE INFORMATION

Our full report, including comments from relevant agencies, is published on the Internet. Copies can also be obtained by contacting our office.

LAC.SC.GOV

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- Before deciding to switch from an in-house management system to a broker-based system, DHHS did not conduct a written cost / benefit analysis of the two systems. The department also implemented the broker-based system statewide without a pilot project or phase-in period.
- DHHS did not document the reasons for selecting the companies to which it awarded broker contracts.
- Due to an error in the procurement process, DHHS awarded rate increases to the NEMT brokers. The contracts, however, did not specify when rates could be adjusted or the methodology for calculating rate adjustments.
- DHHS has made payments to the NEMT brokers at the beginning of each month. The broker contracts require payment at the end of each month. Assuming a 3% interest rate, these early payments will cost the federal government and South Carolina about \$365,000 for a three-year period.

## NEMT BROKER-BASED SYSTEM BEGINNING 2007

- There is evidence that expenditures in the first year of the broker-based system increased less than they would have if no changes had been made to the in-house system, based on data from an independent actuary. However, efficiency measures implemented under the broker-based system could also have been implemented under an in-house system.
- A broker-based transportation system provides incentive to operate efficiently, assuming DHHS has an effective system of purchasing and monitoring the brokers' services.
- The department does not have adequate performance measures or goals for the cost of the NEMT program.
- Because DHHS did not measure quality of service under its in-house system, we could not assess changes in quality of service under the broker system. Monitoring quality of service can be implemented under either system.
- The department does not report performance data regarding the punctuality and length of trips provided to Medicaid clients.
- DHHS has begun onsite reviews of the work processes of the brokers and transportation providers and has developed plans to begin onsite audits of the accuracy of performance data. The department, however, has not conducted onsite audits to ensure that, when the brokers deny service, it is for reasons authorized by federal law, state law, and the broker contracts.
- Savings can be realized using a less expensive mode of transportation when clients need to be moved while lying down but do not need an ambulance.
- The Medicaid Transportation Advisory Committee, established by the General Assembly, is not adequately independent of DHHS.
- DHHS could enter into improved broker contracts by re-soliciting proposals from vendors for the service period beginning in 2010.