



# AUDITOR GENERAL

DAVID W. MARTIN, CPA



## AGENCY FOR HEALTH CARE ADMINISTRATION

### MEDICAID NON-EMERGENCY TRANSPORTATION SERVICES

Operational Audit

**SUMMARY**

The Agency for Health Care Administration (Agency) is designated as the Medicaid Agency for the State.<sup>1</sup> This operational audit focused on the Agency's Medicaid Non-Emergency Transportation Services (NET) contract with the Florida Commission for the Transportation Disadvantaged (CTD). During our audit period approximately \$107 million was expended on the NET contract.

Our audit covered the period July 2005 through February 2007 and disclosed the following:

**Finding No. 1:** Agency files did not include a price or cost analysis showing that the contract rate of payment did not exceed the competitive prevailing rate.

**Finding No. 2:** Our tests of the Agency's monitoring of the CTD contract disclosed that, based on available documentation, the level of monitoring was not sufficient for the Agency to evaluate performance of the contractor and its subcontractors.

**BACKGROUND**

The Medicaid Non-Emergency Transportation Services (NET) Program provides transportation services for Medicaid recipients who have no other means of transportation available to receive nonemergency medical services. NET does not include ambulance transportation or transportation for recipients who are enrolled in a Health Maintenance Organization (HMO) or Provider Service Network

(PSN) which provides transportation within its scope of services.

Section 427.0135, Florida Statutes, indicates the Agency is to purchase transportation services through the community coordinated transportation system unless a more cost-effective method is determined by the Agency or unless otherwise limited or directed by the General Appropriations Act. The Agency entered into a contract with CTD,<sup>2</sup> an entity within the Department of Transportation, to manage the NET Program. The contract between the Agency and CTD is a fixed fee contract with expenditures totaling approximately \$107 million during the audit period. Table 1 provides a summary of the payments authorized by the contract, as amended.

**Table 1  
CTD NET Contract Summary**

Time Period	Cumulative Contract Limit	Monthly Fixed Fee	
6/11/04 - 6/30/05	\$56,891,105	\$5,661,626	(1)
6/11/04 - 10/31/05	\$73,200,447	\$6,078,293	(2)
11/1/05 - 6/30/06	\$118,858,111	\$5,707,208	
7/1/06 - 6/30/07	\$191,959,845	\$6,091,811	

- (1) Fixed fee payments began after a three-month start-up period.
- (2) This amendment was signed in June 2005 to increase the start-up period to five months and increase the contract term.

Effective November 2004, CTD began contracting within the counties to provide services (county

<sup>2</sup> The CTD was created by Section 427.012, Florida Statutes. Commission members are appointed by the Governor and are subject to Senate confirmation.

<sup>1</sup> Section 409.901, Florida Statutes.

providers). The county providers include governmental entities and private entities, also known as subcontracted transportation providers (STP).

**FINDINGS AND RECOMMENDATIONS**

**Finding No. 1: Contract Cost Management**

In accordance with Florida law, which allows State agencies to award contracts to other agencies of government without competition, the Agency awarded the NET contract to CTD on a noncompetitive basis.<sup>3</sup> Florida Statutes<sup>4</sup> provide that contracts awarded under such circumstances may not receive a rate of payment in excess of the competitive prevailing rate, unless expressly authorized in the General Appropriations Act.

The Agency’s Contract Manager Desk Reference requires that when contracts are awarded on a noncompetitive basis, a price or cost analysis must be performed to establish that the contract rate of payment does not exceed the competitive prevailing rate. Also, Agency policy requires evidence of the cost analysis be included in a Contract Initiation Package.

Statements within the Agency contract files indicated that the award of the contract to CTD was appropriate because CTD had an existing system to provide NET services; however, Agency files did not include a price or cost analysis showing that the contract rate of payment did not exceed the competitive prevailing rate.

Upon inquiry, Agency staff responded that contract amounts were based on legislative appropriations for NET. While we were able to locate legislative appropriations of moneys to the Agency for the provision of transportation services, we have not found, and the Agency has not identified, appropriation act provisions which expressly authorized the CTD contract rates.

As part of our audit, to obtain an understanding of a prevailing rate for these types of transportation services, we reviewed transportation services information reported by CTD to the Agency. On a

monthly basis, the CTD reported the number of trips for each county, including the mode of transportation, the number of transportation users by county, and a summary of the transportation costs by county (trip encounter costs). We then compared the trip encounter costs to the amounts paid by CTD to its county providers, as reported to the Agency by CTD. As shown by Table 2, this comparison disclosed that CTD payments to the county providers were approximately \$32 million in excess of the reported trip encounter costs for the period November 2004 through February 2007.

Time Period	CTD Payments to County Providers[1]	Trip Encounter Costs[2]	CTD Payments in Excess of Trip Encounter Costs
11/1/04 Through 6/30/05	\$36,571,956	\$26,922,524	\$9,649,432
7/1/05 Through 6/30/06	\$62,104,587	\$55,182,742	\$6,921,845
7/1/06 Through 2/28/07	\$46,010,039	\$30,305,476	\$15,704,563
<b>Total</b>	<b>\$144,686,582</b>	<b>\$112,410,742</b>	<b>\$32,275,840</b>

- [1] Amounts provided by Agency staff.
- [2] Amounts shown by CTD monthly reports. (See finding No. 2 for additional discussion of the monthly reports.)

While adding an allowance for the administrative costs of the county providers may explain some of the difference between the CTD contract payments and the trip encounter costs, the point of our finding is that information was available in the Agency’s records that would have allowed cost analyses of the contract rate and that such analyses may have provided a reasonable basis for the negotiation of a significantly reduced rate.

Florida has implemented a pilot project<sup>5</sup> which should reduce the costs paid through the NET contract. Under the pilot, the transportation costs of participating Medicaid recipients will be paid by HMOs and PSNs, rather than through the NET contract.

<sup>3</sup> Section 287.057(5)(f), Florida Statutes.

<sup>4</sup> Section 216.3475, Florida Statutes.

<sup>5</sup> Authorized by Section 409.91211, Florida Statutes.

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**Recommendation:** To reasonably ensure that NET contract rates are competitive and supported in the manner required by Florida law and Agency procedure, we recommend the Agency utilize the trip encounter information provided under the contract to perform periodic cost analyses of NET services.

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**Finding No. 2: Contract Monitoring**

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Effective contract administration includes the monitoring of contractors to determine compliance with contractual provisions and provides a means for early detection of potential performance problems. The Agency's monitoring of the CTD contract should include procedures to provide reasonable assurance that NET services are provided to eligible Medicaid recipients using the most cost-effective and appropriate method of transportation available. Monitoring procedures, plans, and activities should be documented in Agency records and should include the review of the reports submitted by CTD to the Agency and periodic on-site monitoring visits. The Agency should also ensure that required reports are submitted on a timely basis.

Our tests of the Agency's monitoring of the CTD contract disclosed that, based on available documentation, the level of monitoring was not sufficient for the Agency to evaluate performance of the contractor and its subcontractors. Specifically:

- As referenced in Finding No. 1, the NET contract requires CTD to submit monthly reports containing information such as the number of trips provided by county, the number of unduplicated transportation users by county, and a summary of the reported trip costs by county (trip encounter data). CTD also provides the Agency with information concerning the monthly contractual payments made to county providers. The Agency did not perform analyses of the trip encounter data. Agency staff indicated this review was not necessary since payments were based on a fixed fee. However, absent a review of CTD payment and trip encounter data, the Agency has forgone an opportunity to use available

information to measure the economy of its NET contract with CTD. In addition, the analysis of the trip encounter data will become more crucial to determining reasonableness as the use of HMOs and PSNs increase.

- The contract requires CTD to submit quarterly reports to the Agency. The quarterly reports are to include information such as: a summary of quality improvement activities and findings; a summary of planned initiatives; a grievance report; transportation statistics; a catalogue of complaints regarding quality control issues; and summarized information about any efforts by CTD to monitor its contracted providers. Upon request, the Agency could not provide for our review copies of the quarterly reports or evidence of Agency review of the reports. Absent the review of these reports, the Agency missed an opportunity to gain a better understanding of the NET Program's performance and any related issues.
- The Agency's CTD Contract Monitoring Plan indicated that Agency monitoring of CTD would include annual desktop reviews. One such review was completed during the audit period; however, our review of the related Monitoring Evaluation Form disclosed that Agency records did not have sufficient documentation to support some of the monitoring conclusions. For example, the Monitoring Evaluation Form indicates that all CTD quarterly reports were received; however, as indicated above, the Agency could not provide for our review copies of the quarterly reports. In addition, the Monitoring Evaluation Form did not contain the signatures of the reviewer and the contract manager's supervisor or the date the review was completed.
- The contract between the Agency and CTD requires the CTD to prepare a monitoring plan of the county providers to address

“gatekeeping” issues such as recipient access to transportation, recipient eligibility, and services provided. While Agency staff indicated that they plan to conduct an on-site survey of the CTD and several of the county providers in the near future, as of May 2007 the Agency had not documented any monitoring efforts over CTD’s gatekeeping procedures.

**Recommendation:** To ensure that Medicaid non-emergency transportation services are only provided to eligible beneficiaries and the most cost-effective method is used, we recommend the Agency enhance contract monitoring procedures and document monitoring efforts in sufficient detail.

**OBJECTIVES, SCOPE, AND METHODOLOGY**

This operational audit focused on the Agency’s actions related to the Medicaid non-emergency transportation services program. Our objectives were:


- To evaluate the effectiveness of established internal controls in achieving management’s control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To evaluate management’s performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.

Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2005 through February 2007. Certain analysis was also performed through the contract’s start date of June 11, 2004. In conducting our audit, we:

- Interviewed Agency personnel.
- Obtained an understanding of internal controls and observed, documented, and tested key processes and procedures related to the Medicaid nonemergency transportation contract between the Agency and CTD.
- Reviewed and tested selected contractual reports and monitoring documentation.
- Performed various other auditing procedures as necessary to accomplish the objectives of the audit.

**AUTHORITY**

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

  
 David W. Martin, CPA  
 Auditor General

**MANAGEMENT RESPONSE**

In a letter dated October 30, 2007, the Secretary responded to our findings. The letter is included at the end of this report as Appendix A. Supportive documentation was referenced in the response that constitutes public records of the Agency. These documents were not reproduced in this report.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was conducted in accordance with applicable *Generally Accepted Government Auditing Standards*. This audit was conducted by Ying Ying Chen, CPA, and supervised by Peggy Miller, CPA. Please address inquiries regarding his report to Jane Flowers, CPA, Audit Manager by e-mail ([janeflowers@aud.state.fl.us](mailto:janeflowers@aud.state.fl.us)) or by telephone (850-487-9136).

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen/>); by telephone (850-487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

APPENDIX A  
MANAGEMENT RESPONSE



CHARLIE CRIST  
GOVERNOR

ANDREW C. AGWUNOBI, M.D.  
SECRETARY

October 30, 2007

David W. Martin, CPA  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Thank you for the opportunity to respond to the preliminary and tentative findings and recommendations from your audit of Medicaid Non-Emergency Transportation Services. We appreciate the efforts of your staff and have included our response to the recommendations noted in your report. AHCA continuously looks for opportunities to improve operations and is committed to providing cost-effective and efficient health care services to the citizens of Florida.

In accordance with your request, we have emailed you the preliminary and tentative findings document with our response incorporated therein. If you have any questions regarding our response, please contact Mike Blackburn, Audit Director, at (850) 414-5419.

Sincerely,

Andrew C. Agwunobi, M.D.  
Secretary

ACA/mb

Enclosure: Response to the P&T for Medicaid Non-Emergency Transportation Services

Cc: Linda Keen, Inspector General  
Mark Thomas, Chief of Staff  
Tom Arnold, Deputy Secretary, Division of Medicaid  
Janet Parramore, Director, Division of Administrative Services

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APPENDIX A  
MANAGEMENT RESPONSE (CONTINUED)

**Agency for Health Care Administration  
Response to Auditor General's P&T audit findings for  
Non-Emergency Transportation Services,  
July 2005 through February 2007**

**Finding 1:**

Agency files did not include a price or cost analysis showing that the contract rate of payment did not exceed the competitive prevailing rate.

**Recommendation:**

To reasonably ensure that NET contract rates are competitive and supported in the manner required by Florida law and Agency procedure, we recommend the Agency utilize the trip encounter information provided under the contract to perform periodic cost analyses of NET services.

**Agency Response:**

*Finding No. 1 is correct as stated. The Agency files do not include a price or cost analysis.*

*The Agency entered into the initial contract with the CTD in 2004 after the Legislature had cut the Medicaid Non Emergency Transportation (NET) budget by 11%. Each year, the Legislature appropriates a set amount for the Agency to spend on NET services. The Legislature bases its NET appropriation on the Agency's budget projections completed during its Estimating Conference. Since these budget projections are not part of NET contract negotiations, but are part of the Agency's larger analysis for budgetary purposes, the Agency has not previously included the cost analysis in the contract file. In the future, documents relating to the Agency's budget projections for transportation costs will be included in the contract file as appropriate. (See attached supportive documentation.)*

*The report also states that the "CTD[s] payments to the county providers were approximately \$32 million in excess of the reported trip encounter costs for the period November 2004 through February 2007" (Table 2 of the Preliminary and Tentative Audit Findings). The Agency agrees that data provided by the CTD relating to trip encounter costs is less than the payments to county providers. The CTD has confirmed that there are problems with the accuracy of these data. The Agency is continuing to work with the CTD to improve the accuracy of this report.*

*It should also be noted that the amount the Agency pays the CTD is not necessarily the amount the CTD allocates to its Community Transportation Coordinators (CTCs) or what the CTCs pay their transportation providers for providing NET services. For example, the contract between the Agency and the CTD stipulates that the CTD receives 5% of the amount paid by the Agency for each invoice to cover administrative costs. Specifically, the contract states:*

## APPENDIX A

## MANAGEMENT RESPONSE (CONTINUED)

*Administrative fees are limited to five (5%) percent of the monthly payment. The remaining ninety-five (95%) percent of the monthly payment will be paid by the Vendor to subcontractors utilizing a fixed payment plan developed by the Vendor for direct transportation services. (Section C.2., Contract Billing and Payment, paragraph 4)*

*As a result, the CTD is entitled to over \$10 million for administration for the period from November 1, 2004 through February 28, 2007. These administrative fees and the problems with the accuracy of the data provided by the CTD should be considered with regard to this finding.*

**Finding 2:**

Our tests of the Agency's monitoring of the CTD contract disclosed that, based on available documentation, the level of monitoring was not sufficient for the Agency to evaluate performance of the contractor and its subcontractors.

**Recommendation:**

To ensure that Medicaid non-emergency transportation services are only provided to eligible beneficiaries and the most cost-effective method is used, we recommend the Agency enhance contract monitoring procedures and document monitoring efforts in sufficient detail.

**Agency Response:**

*Finding No. 2 appears to be based on the fact that the Agency was not able to provide copies of the quarterly reports. The Agency agrees that the contract manager failed to require the submission of quarterly reports as required by contract language. It should be noted however, that the CTD includes reports on a monthly basis with its invoice. Therefore, the CTD reports to the Agency at a greater frequency than is required under the terms of the contract. The quarterly reports will be required in the future, or clarification will be made that monthly reports can be accepted as a substitute.*

*Finding No. 2 also cited the lack of a signed copy of the Monitoring Evaluation Form (although the Agency was able to produce an unsigned copy) and the lack of sufficient documentation to support the Agency's findings. The contract manager who completed the monitoring is no longer with the Agency. As a result, the Agency has been unable to find a signed copy of the Monitoring Evaluation Form. The Agency has taken steps to ensure that the contract manager has access to signed copies of all future monitoring reports.*

*The Findings also state that "[w]hile Agency staff indicated that they plan to conduct an on-site survey of the CTD and several county providers in the near future, as of May 2007 the Agency had not documented any monitoring efforts over the CTD's gatekeeping policy." The Agency has not completed on-site monitoring of the CTD's gatekeeping procedures for the 7/1/2006 – 6/30/2007 contract period. The Agency is taking steps to ensure appropriate monitoring occurs.*

## APPENDIX A

## MANAGEMENT RESPONSE (CONTINUED)

*Furthermore, the CTD transmitted all of its encounter data to the Agency in May 2007 as a means to allow the Agency to assess the CTD's gatekeeping efforts. The Agency is continuing to evaluate the data and is currently working with the CTD to find ways to improve the CTD's gatekeeping process.*

*Finally, the Findings "recommend [that] the Agency enhance contract monitoring procedures and document monitoring efforts in sufficient detail." As was stated to the Auditor General's evaluators, the Agency has already undergone an analysis of the current weaknesses in the contract's data reporting and quality indicators. The Agency is incorporating these findings into the specifications of a competitive procurement document that the Agency will use to select its NET vendor for a contract starting July 2008. These specifications include new reporting requirements such as breakdowns, by county, of quality indicators (e.g., Grievance and Appeal and Performance Measures reporting) and encounter data (e.g., type of transportation and transportation destination).*