Office of Performance Evaluations
Idaho Legislature

Rakesh Mohan
Director

August 29, 2019

Dave Jeppesen, Director
Idaho Department of Health and Welfare
450 W State Street
Boise, ID 83720

RE: Non-emergency medical transportation

Dear Mr. Jeppesen:

As discussed with you in a meeting on August 12, our office will not be completing a comprehensive evaluation of non-emergency medical transportation (NEMT) services by the end of August. In late June, we were asked by legislators, the Governor's staff, and staff of the Division of Medicaid to expedite the evaluation. The purpose of expediting the evaluation was to ensure that the Division of Medicaid had enough time to incorporate our findings and recommendations into its procurement process for a new NEMT contract, which is scheduled to go into effect in spring 2021. For the division to make full use of our work, we needed to issue the report by the end of August 2019 or soon thereafter. However, the division did not provide us with necessary data in time for us to complete a full evaluation by this deadline.

Although we are not able to complete a full evaluation by the end of August, we have made observations that we believe are critical for the division to address before issuing a request for proposals (RFP) for the next NEMT contract. These observations are based on our review of the limited documentation the division sent to us as of August 12 and based on interviews with division staff, staff of the current NEMT broker (MTM), and transportation providers. We also reviewed many emails from providers and Medicaid recipients sent to the broker, the division, or legislators. Given the short timeframe the division has set for issuing a new RFP, we determined that sharing our observations in this management letter would be the best way to ensure the division would be able to take timely actions.

> **The broker model is unlikely the primary cause of problems with Idaho's NEMT services. Problems are more likely the result of the division taking a role that is inappropriately passive for the owner of a contracted service.** The division retains responsibility for the outcomes and oversight of NEMT services. Failure to take an ownership role puts the

state at a strategic disadvantage for contracting broker services in the future. Outsourcing responsibility for good outcomes to a broker will not produce the desired result. The division should take the lead in strategic thinking about the NEMT program and not limit its role to a passive recipient of information. The division's passive approach to the NEMT program has likely contributed to hasty RFP development, insufficient oversight of brokers, and program instability.

In the past several years, Idaho's NEMT program has experienced significant instability. The division transitioned to a broker model for the coordination of NEMT services in 2010. Since then, Idaho has contracted with three statewide brokers: AMR, Veyo, and MTM. In 2014, nearing the end of the first broker's contract, the division issued a new RFP for broker services. It cancelled the RFP just prior to finalizing the award because vendors had submitted bids based on inaccurate data that the division had included with the RFP. In 2015 the division reissued the RFP with revised data. Veyo was awarded the contract and on July 1, 2016, started providing services. The contract was scheduled to end June 30, 2019. However, on October 30, 2017, Veyo informed the division that it was terminating the contract at least in part because Veyo believed the per participant per month (PPPM) rate was too low and the division did not increase it. Veyo stopped providing services on March 5, 2018.

The early termination of Veyo's contract presented an opportunity for the division to pause and reevaluate its RFP to ensure the success of the next contract. However, the emergency nature of the situation left the division with limited options. Given how recently the previous RFP had been issued, the division was able to extend the offer to MTM, who was the next best scoring bidder to the 2015 RFP. MTM began providing broker services on March 6, 2018. Within a year of beginning services, MTM indicated it was having financial hardships because the PPPM rate was set too low. The Legislature appropriated $6.8 million for increased payments to providers. To address MTM's financial hardships, the department transferred $2.7 million from savings realized in the behavioral health contract with Optum. To enable these increases and include changes beneficial to the state, the division cancelled the contract and entered into a new contract with MTM. The new contract increased the PPPM rate from $7.00 to $9.77.[1] And now, because the contract with MTM ends in April 2021, the division again needs to start a new procurement process for the next broker contract.

When the division administered and coordinated NEMT services, staff expressed concern that fraud and inefficiency were driving costs up. The division hoped a broker model would reduce fraud and increase efficiencies while maintaining or improving service levels to Medicaid participants. Each of the NEMT brokers has had different business practices and service delivery philosophies. Each brought unique challenges. Regardless of which broker wins the next contract, it will likewise bring implementation challenges.

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1. The $6.8 million from the Legislature was ongoing and the $2.7 million from the department was a one-time transfer.

The division has not conducted the analysis necessary to accurately evaluate PPPM rates proposed by bidders. In addition, the division did not specify periodic rate reviews, circumstances under which to reevaluate and adjust the PPPM, nor the factors that should be weighed when considering an adjustment to the PPPM. When the division first transitioned to a broker model, it relied on vendors' bids to establish the PPPM rate. Such an approach is reasonable, especially for a newly established broker model.

Although the competitive bidding process can help avoid rates that are set too high, the process is not guaranteed to set an appropriate rate and does little to prevent rate proposals that are too low. For example, the PPPM rate for the 2010 contract was set too high at $7.04. The division eventually negotiated a rate reduction to $7. In contrast, in its 2015 RFP, the division capped bids at the existing PPPM rate of $7. The contract was awarded to Veyo at a PPPM rate of $6.59, well below the cap. When Veyo determined it would no longer continue providing services at the contracted rate, the contract was awarded to MTM at a rate near the cap. In response to complaints from providers and MTM, the PPPM rate has been raised to $9.77.

The division can reasonably expect a broker to honor the rate it committed to in the contract. However, in practice, a PPPM rate set either too high or too low is likely to result in undesired outcomes. A rate set too high will unlikely incentivize a broker to keep costs low, leading to high costs to the state. A rate set too low will amplify the incentive for a broker to provide fewer services through denial of services or to reduce costs through a denial of payment to providers. The division can strengthen its management of the risks inherent to a capitated payment structure through three key improvements.

1. Thoroughly analyze the underlying program cost drivers to get a clear understanding of the total cost of service delivery in each region and for each eligibility category. Although the rate will be determined through a competitive bidding process, a thorough analysis of the underlying program cost drivers will allow the division to provide much better information for bidders to use in their cost proposals. In addition, the analysis is an essential tool for evaluating cost proposals during the procurement process. The division worked with an actuarial firm in 2018 to look at the various costs that drive the NEMT program. That analysis stopped short of conducting a complete cost analysis of the program.

2. Plan for rate adjustments. Even a well-informed PPPM rate can become suboptimal as a result of events, such as significant policy changes, clarification of contractual expectations between the division and the broker, changes in cost drivers over the term of the contract, or significant changes to the composition of membership or utilization. To prevent such events from causing an emergency, the division should stipulate a periodic review of the rate and specify the factors and conditions that would justify a rate adjustment. For the division to effectively evaluate the merits of a rate adjustment, it must have a thorough understanding of program cost drivers based on sound analysis, independent from the broker's assessment.

3. Develop a robust contract monitoring process that includes independent verification of broker data, reporting, payments, and practices.

The division is expediting the procurement process before the current contract ends in April 2021. We are concerned that analysis necessary for a proper RFP design, bid evaluation, service-level specification, and contract management will be rushed or skipped entirely.

The division appears to have limited and fragmented analysis of NEMT data. We have received various reports, meeting minutes, and issue logs of NEMT services. We have not seen documented, systematic analysis of known issues or trends in service delivery from the division. The division needs to have "precise and in-depth analysis of critical information" to successfully outsource NEMT services.[2]

In 2018, an independent evaluation of Idaho's NEMT program conducted by the Public Policy Unit in the Institute on Disability and Human Development at the University of Illinois in Chicago made 30 recommendations to improve five contract areas:

Service quality
Complaint and grievance monitoring
Reporting requirements and department analysis of broker data
Auditing and verification of broker data
Contract requirements and management

The division provided us a list of its responses and responses from MTM to address the recommendations. It appears that the division has placed the onus for substantive change on MTM even though most of the recommendations were directed to the division. For example, the third recommendation in the report said:

> "IDHW should create a dashboard to monitor changes in the level of service and access to care, such as those for long-distance services and mileage reimbursement that will alert staff when services change dramatically. The dashboard can automate a lot of the monitoring that is needed and which takes up limited staff time.

MTM tracks and reports the data but does not provide a dashboard. The division has not taken steps to develop a dashboard but noted this would be a good "wish list" item. The intent of the recommendation was to develop a systematic approach to monitoring NEMT data and to efficiently identify trends and changes overtime. Making the dashboard a wish list item does not communicate to us an understanding of the importance of monitoring.

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2. National Association of State Procurement Officials, "Recommended Best Practices for Outsourcing Services," Recommendation 13, *State and Local Government Procurement*, Third Edition (J. Ross Publishing, Kindle Edition, 2019).

The division has taken a reasonable approach to contract management on paper, but in practice, it has not executed the approach well enough to sufficiently ensure participants are protected. We did not see obvious gaps in the service-level agreements within the contract that would account for the instability in NEMT services. In addition, the division has access to large amounts of data about the program and the ability to independently audit broker data to ensure accuracy.

However, based on our observations, the division has not used regular systematic methods to verify broker data nor has it independently audited the data, as specified in the contract. We did not see evidence that the division has taken ownership over the results of important quality assurance data such as the number of missed appointments or no-shows. The University of Illinois reported that the number of no-shows is likely being underreported. Still the division has no actionable plan in place to accurately account for the number of times either a subcontracted transportation provider did not show up or the broker failed to appropriately dispatch transportation.

These persistent problems demonstrate that they are the result of the division's failure to exercise proper contract monitoring practices, set an appropriate PPPM rate, understand the consequences of transitioning between different brokers and how their business practices impact participants, and be accountable to policymakers. The division should incorporate lessons learned from our 2016 report, *Design of the Idaho Behavioral Health Plan*, and the University of Illinois report. If the division does not learn from its prior mistakes, the next RFP process will likely be another failure, and Idahoans who rely upon this service will not be served with the efficiency and dignity that they deserve.

I sincerely hope that the Division of Medicaid will apply our observations as it addresses problems with the current NEMT contract and works toward issuing an RFP for a new contract. Since we met with you on August 12, the division has provided significant data to us. This data will be useful for a comprehensive evaluation. To confirm whether a comprehensive evaluation should follow this letter, our office will confer with the Joint Legislative Oversight Committee.

I welcome your formal response to this letter. We will present this letter along with your response to our committee for approval to make both letters public documents. Thank you.

Sincerely,

Rakesh Mohan

Rakesh Mohan, Director

cc: Joint Legislative Oversight Committee
Zach Hauge, Chief of Staff, Office of the Governor
Alex Adams, Administrator, Division of Financial Management