Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

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

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Office of Inspector General

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EXECUTIVE SUMMARY

California claimed at least $437,000 in Federal Medicaid reimbursement over a 1-year period for certain nonemergency medical transportation services billed as exempt from prior authorization that did not comply with Federal and State requirements.

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 medical care. Because the Office of Inspector General (OIG) has consistently identified this area as vulnerable to fraud, waste, and abuse, OIG has conducted audits in multiple States since 2006, including California. During our previous review of NEMT services in Los Angeles County that required prior authorization, we identified certain services as at high risk for billing errors (specifically, nonemergency ambulance transfers from acute-care hospitals to skilled nursing facilities) because these services were exempt from the State agency's prior authorization process. This review focused on claims for these services.

Our objective was to determine whether the California Department of Health Care Services (State agency) claimed Federal Medicaid reimbursement for certain NEMT services in Los Angeles County billed as exempt from prior authorization that complied with Federal and State requirements.

BACKGROUND

In California, NEMT is defined as transportation by ambulance, litter van, and wheelchair van of beneficiaries whose medical conditions require transportation services but not emergency services or equipment during transport. According to California regulations, the State agency pays transportation providers for NEMT services if transportation is required for beneficiaries to obtain needed medical care and approves reimbursement only for the lowest cost type of medical transportation that is adequate for the beneficiary's medical needs.

To be reimbursed, NEMT services generally require prior authorization from the State agency through approval of a treatment authorization request submitted by the transportation provider. However, NEMT services are exempt from prior authorization when a beneficiary is transferred from an acute-care hospital immediately following a stay as an inpatient at the acute level of care to a skilled nursing facility.

HOW WE CONDUCTED THIS REVIEW

We reviewed Medicaid fee-for-service claims paid to medical transportation providers in Los Angeles County from July 1, 2010, through June 30, 2011, for NEMT services billed as ambulance transfers from acute-care hospitals to skilled nursing facilities. These services were exempt from the State agency's prior authorization process. We selected these claims because they were at high risk for billing errors. We excluded claims that required prior authorization (which we reviewed in a separate audit) and claims related to an investigation. From a total of

approximately $1.6 million ($938,000 Federal share) that the State agency claimed for NEMT services, we reviewed a random sample of 100 beneficiary-services. A beneficiary-service represented all paid claims for NEMT services provided to one beneficiary on the same beginning and ending dates of service.

WHAT WE FOUND

The State agency claimed Federal Medicaid reimbursement for certain NEMT services in Los Angeles County billed as exempt from prior authorization that did not comply with Federal and State requirements. Of the 100 sampled beneficiary-services, only 1 complied with Federal and State requirements. For five beneficiary-services, we were unable to contact the transportation providers and determine compliance. The remaining 94 beneficiary-services from 18 transportation providers did not comply with requirements (42 contained more than 1 type of deficiency):

- For 71 beneficiary-services, the State agency paid for NEMT services that were not billed at the lowest cost type of medical transportation adequate for the beneficiaries' medical needs. On the basis of our sample results, we estimated that the State agency claimed Federal Medicaid reimbursement of at least $437,896 for incorrectly billed services.

- For 65 beneficiary-services, transportation providers incorrectly billed the NEMT services as transfers not requiring prior authorization, specifically as transfers from acute-care hospitals following an inpatient stay to skilled nursing facilities. The incorrect billing did not result in overpayments for all 65 beneficiary-services, but the services should have been billed using procedure codes that accurately represented the services provided. By billing these services incorrectly, the transportation providers bypassed the State agency's prior authorization process.

These deficiencies occurred because the transportation providers did not follow State regulations for billing NEMT services.

WHAT WE RECOMMEND

We recommend that the State agency:

- refund $437,896 to the Federal Government,

- educate transportation providers to ensure that they follow State regulations for billing the lowest cost type of medical transportation adequate for the beneficiaries' medical needs,

- establish procedures to ensure that transportation providers follow State regulations when billing NEMT services as transfers not requiring prior authorization, and

- consider conducting additional reviews of the transportation providers with billing errors identified in our review.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency agreed with our recommendations and provided information on actions that it had taken or planned to take to address our recommendations.

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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 medical care. Because the Office of Inspector General (OIG) has consistently identified this area as vulnerable to fraud, waste, and abuse, OIG has conducted audits in multiple States since 2006, including California. During our previous review of NEMT services in Los Angeles County that required prior authorization, we identified certain services as at high risk for billing errors (specifically, nonemergency ambulance transfers from acute-care hospitals to skilled nursing facilities) because these services were exempt from the State agency's prior authorization process. This review focused on claims for these services. (Appendix A lists related OIG reports on NEMT services.)

OBJECTIVE

Our objective was to determine whether the California Department of Health Care Services (State agency) claimed Federal Medicaid reimbursement for certain NEMT services in Los Angeles County billed as exempt from prior authorization that complied with Federal and State requirements.

BACKGROUND

The Medicaid Program: Administration and Federal Reimbursement

The Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. 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 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.

The Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. During our audit period (July 1, 2010, through June 30, 2011), the FMAP in California ranged from 56.88 to 61.59 percent.

Medicaid Coverage of Nonemergency Medical Transportation Services

Federal regulations require States to ensure necessary transportation for Medicaid beneficiaries to and from medical care providers (42 CFR § 431.53). Federal regulations define transportation as expenses for transportation and other related travel expenses determined to be necessary by the State agency to secure medical examinations and treatment for a beneficiary (42 CFR § 440.170(a)(1)).

Federal regulations require each State to describe in its State plan the methods that the State will use to meet the requirement to ensure necessary transportation for Medicaid beneficiaries (42 CFR § 431.53(b)). In addition, a State plan must require that providers of services keep records to fully disclose the extent of services provided to Medicaid beneficiaries (Social Security Act § 1902(a)(27)). A State may choose to claim transportation costs as either administrative or medical assistance expenditures under its State plan (CMS State Medicaid Director Letter, March 31, 2006).

California's Medicaid Program

In California, the State agency administers the Medicaid program. The State agency reports expenditures related to fee-for-service claims on Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64), for Federal reimbursement. For reporting purposes, California treats NEMT services as medical assistance expenditures.

Nonemergency Medical Transportation Services in California

In California, NEMT is defined as transportation by ambulance, litter van,[1] and wheelchair van of beneficiaries whose medical conditions require medical transportation services but not emergency services or equipment during transport (22 California Code of Regulations (CCR) § 51151.7). These transportation services allow Medicaid beneficiaries to obtain needed medical care.

Authorization and Delivery of Nonemergency Medical Transportation Services

Authorization for NEMT services is granted and reimbursement approved only for the lowest cost type of medical transportation that is adequate for the beneficiary's medical needs and is available at the time transportation is required (22 CCR § 51323(b)). NEMT services necessary to obtain services under Medicaid generally require a physician's, dentist's, or podiatrist's prescription and prior authorization (22 CCR § 51323(b)(2)).

Transportation providers obtain prior authorization by submitting a treatment authorization request (TAR) to the State agency (22 CCR § 51003(a)). The TAR contains information necessary for the State agency to determine the medical necessity of the NEMT services, including the type of medical transportation that is adequate for the beneficiary's medical needs. The TAR also contains departure and destination locations. If the TAR is approved, the transportation provider is authorized to provide approved NEMT services to the beneficiary and receive reimbursement from the State agency for those services. However, NEMT services are exempt from prior authorization when a patient is transferred from an acute-care hospital immediately following a stay as an inpatient at the acute level of care to a skilled nursing facility

[1] A litter van is a vehicle that is modified, equipped, and used for the purpose of providing NEMT for patients with stable medical conditions who require the use of a litter or gurney and that is not routinely equipped with the medical equipment or personnel required for the specialized care provided in an ambulance (22 CCR § 51151.3).

or an intermediate-care facility[2] licensed pursuant to section 1250 of the California Health and Safety Code (22 CCR § 51323(b)(2)(C)).

Payments to Transportation Providers for Nonemergency Medical Transportation Services

Transportation providers bill for NEMT services provided to Medicaid beneficiaries by submitting claims to the State agency's fiscal agent. Transportation providers use procedure codes defined in State regulations to identify the type of vehicle used to transport the beneficiary, which determines the payment amount. For services that require prior authorization, transportation providers use procedure codes authorized on an approved TAR.

HOW WE CONDUCTED THIS REVIEW

We reviewed Medicaid fee-for-service claims paid to medical transportation providers in Los Angeles County from July 1, 2010, through June 30, 2011, for NEMT services billed as ambulance transfers from acute-care hospitals to skilled nursing facilities. These services were exempt from the State agency's prior authorization process. We selected these claims because they were at high risk for billing errors. We excluded claims that required prior authorization (which we reviewed in a separate audit)[3] and claims related to an investigation. From a total of $1,576,437 ($937,606 Federal share) that the State agency claimed for NEMT services, we reviewed a random sample of 100 beneficiary-services. A beneficiary-service represented all paid claims for NEMT services provided to one beneficiary on the same beginning and ending dates of service.

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 contains the details of our audit scope and methodology, Appendix C describes our statistical sampling methodology, and Appendix D contains our sample results and estimates.

FINDINGS

The State agency claimed Federal Medicaid reimbursement for certain NEMT services in Los Angeles County billed as exempt from prior authorization that did not comply with Federal and State requirements. Of the 100 sampled beneficiary-services, only 1 complied with Federal and State requirements. For five beneficiary-services, we were unable to contact the transportation

[2] Our sampled beneficiary-services did not include transportation provided to intermediate-care facilities.

[3] *California Claimed Medicaid Reimbursement for Some Nonemergency Medical Transportation Services in Los Angeles County That Did Not Comply With Federal and State Requirements* (A-09-12-02083), issued June 24, 2014.

providers and determine compliance.[4] The remaining 94 beneficiary-services from 18 transportation providers did not comply with requirements (42 contained more than 1 type of deficiency):

- For 71 beneficiary-services, the State agency paid for NEMT services not billed at the lowest cost type of medical transportation adequate for the beneficiaries' medical needs. On the basis of our sample results, we estimated that the State agency claimed Federal Medicaid reimbursement of at least $437,896 for incorrectly billed services.

- For 65 beneficiary-services, transportation providers incorrectly billed the NEMT services as transfers from acute-care hospitals following an inpatient stay to skilled nursing facilities. The incorrect billing did not result in overpayments for all 65 beneficiary-services,[5] but the services should have been billed using procedure codes that accurately represented the services provided. By billing these services incorrectly, the transportation providers bypassed the State agency's prior authorization process.

These deficiencies occurred because the transportation providers did not follow State regulations for billing NEMT services.[6] See Appendix E for details on the Federal and State requirements related to NEMT services and providers.

STATE AGENCY PAID FOR SERVICES THAT WERE NOT BILLED AT THE LOWEST COST TYPE OF MEDICAL TRANSPORTATION ADEQUATE FOR BENEFICIARIES' MEDICAL NEEDS

The State agency approves reimbursement only for the lowest cost type of medical transportation that is adequate for the beneficiary's medical needs (22 CCR § 51323(b)).

For 71 beneficiary-services, the State agency paid for NEMT services that were not billed at the lowest cost type of medical transportation that would have been adequate for the beneficiaries' medical needs. The transportation providers improperly billed these NEMT services as ambulance transfers.

On the basis of the transportation providers' documentation, we determined that a lower cost type of medical transportation would have been adequate for the beneficiaries' medical needs. Specifically, for 40 beneficiary-services, litter vans would have been adequate, and for 31 beneficiary-services, wheelchair vans would have been adequate.[7] We allowed payments for

[4] We treated these beneficiary-services as non-errors.

[5] Forty-two of these beneficiary-services resulted in overpayments because the NEMT services also were not billed at the lowest cost type of medical transportation adequate for the beneficiaries' medical needs.

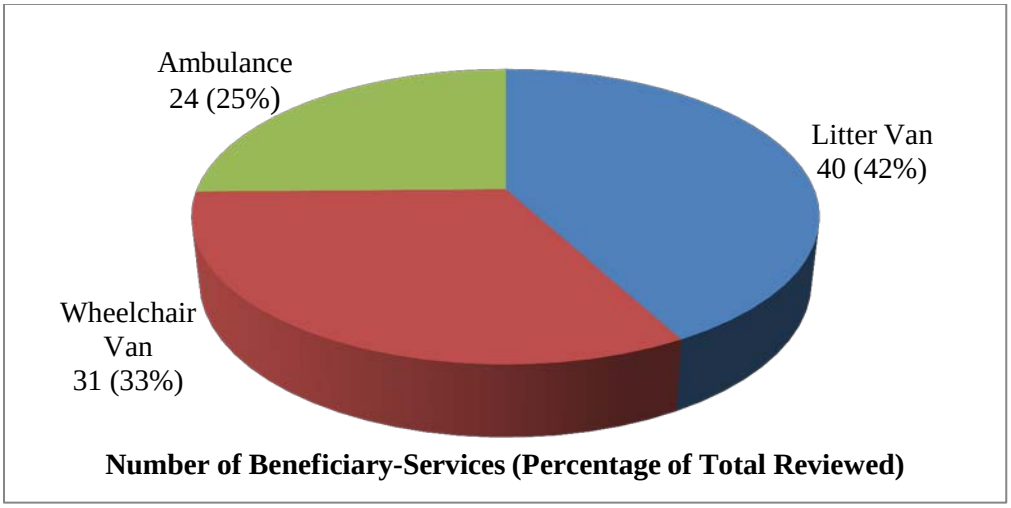
[6] We provided to the State agency a list of the 18 transportation providers with billing errors identified in our review.

[7] Nurse evaluators from the State agency's TAR office confirmed our findings.

these beneficiary-services at the lower litter van and wheelchair van rates.[8] As a result of the improper billing, the transportation providers were overpaid from $44 to $142 for each beneficiary-service.

The figure below shows the types of medical transportation that would have been adequate for the beneficiaries' medical needs for the sampled beneficiary-services reviewed.

Figure: Types of Medical Transportation That Would Have Been Adequate for the Beneficiaries' Medical Needs for the Sampled Beneficiary-Services Reviewed



These deficiencies occurred because the transportation providers did not follow State regulations for billing NEMT services. Using our sample results, we estimated that the State agency claimed Federal reimbursement of at least $437,896[9] for NEMT services incorrectly billed as ambulance transfers when a lower cost type of service would have been adequate for the beneficiaries' medical needs.

TRANSPORTATION PROVIDERS INCORRECTLY BILLED SERVICES AS TRANSFERS NOT REQUIRING PRIOR AUTHORIZATION

All nonemergency medical transportation necessary to obtain program covered services requires prior authorization except when a patient is being transferred from an acute-care hospital immediately following a stay as an inpatient at the acute level of care to a skilled nursing facility (22 CCR § 51323(b)(2)(C)).

[8] The payment rates for ambulance services are approximately three to six times higher than the payment rates for wheelchair and litter van services.

[9] The overpayment includes an underpayment of $8 for one beneficiary-service because the transportation provider's documentation showed that the beneficiary-service included a rhythm electrocardiogram that was not billed by the transportation provider.

For 65 beneficiary-services, the transportation providers incorrectly billed the NEMT services as transfers not requiring prior authorization. For all these beneficiary-services, the providers' records showed that, on the same date of service, the beneficiaries were (1) not transferred from an acute-care hospital following an inpatient stay and/or (2) were not transferred to a skilled nursing facility.

Table 1 shows, for the 65 beneficiary-services, the different types of locations from and to which the beneficiaries were transported according to the transportation providers' documentation and the number of beneficiary-services associated with each combination of location. Although 37 beneficiary-services were transfers from acute-care hospitals, only 5 involved inpatient services. The remaining 32 services were outpatient, including emergency and urgent-care services.

Table 1: Number of Beneficiary-Services Associated With Different Combinations of Departure and Destination Locations

TRANSPORTATION DEPARTURE AND DESTINATION LOCATIONS		
From	**To**	**No. of Beneficiary-Services**
Acute-care hospital (outpatient)	Acute-care hospital or rehabilitation facility	17
Private residence or skilled nursing facility	Dialysis center	13
Private residence, skilled nursing facility, or assisted living facility	Acute-care hospital	11
Acute-care hospital (outpatient)	Skilled nursing facility	10
Acute-care hospital (outpatient)	Private residence or assisted living facility	5
Acute-care hospital (inpatient)	Acute-care hospital, private residence, or assisted living facility	5
Other (church, police department, street)	Acute-care hospital	3
Skilled nursing facility	Hospice	1
Total		**65**

Although the beneficiaries were transferred from or to different locations and/or received different services than what was billed, the incorrect billing did not result in overpayments for all beneficiary-services because the payment rate was based on the vehicle type, not the facility from or to which a beneficiary was transferred. However, the transportation providers should have billed procedure codes that accurately represented the services provided, as defined in State regulations.

These deficiencies occurred because the transportation providers did not follow State regulations for billing NEMT services. As a result, the beneficiary-services bypassed the State agency's prior authorization process.

RECOMMENDATIONS

We recommend that the State agency:

- refund $437,896 to the Federal Government,
- educate transportation providers to ensure that they follow State regulations for billing the lowest cost type of medical transportation adequate for the beneficiaries' medical needs,
- establish procedures to ensure that transportation providers follow State regulations when billing NEMT services as transfers not requiring prior authorization, and
- consider conducting additional reviews of the transportation providers with billing errors identified in our review.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency agreed with our recommendations and provided information on actions that it had taken or planned to take to address our recommendations. The State agency's comments are included in their entirety as Appendix F.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
California Claimed Medicaid Reimbursement for Some Nonemergency Medical Transportation Services That Did Not Comply With Federal and State Requirements	A-09-13-02033	1/23/2015
California Claimed Medicaid Reimbursement for Some Nonemergency Medical Transportation Services in Los Angeles County That Did Not Comply With Federal and State Requirements	A-09-12-02083	6/24/2014
Hawaii Claimed Unallowable Medicaid Reimbursement for Nonemergency Medical Transportation Services Furnished by Taxi Providers	A-09-11-02047	5/22/2012
Review of Medicaid Payments for Nonemergency Medical Transportation Services Claims Submitted by Providers in New York State	A-02-09-01024	2/13/2012
Review of Medicaid Payments for Nonemergency Medical Transportation Services Claims Submitted by Providers in New York City	A-02-08-01017	11/30/2011
Review of Costs Claimed by the State of Nebraska for Non-Emergency Medical Transportation Services Provided by Shared Mobility Coach	A-07-10-04172	7/22/2011
Review of Nonemergency Medical Transportation Costs in the State of Texas (Transportation Provided by the League of United Latin American Citizens – Project Amistad)	A-06-09-00090	10/22/2010
Review of Nonemergency Medical Transportation Costs in the State of Texas (Transportation Provided by Capital Area Rural Transit System)	A-06-08-00096	6/15/2010

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed Medicaid fee-for-service claims paid to medical transportation providers in Los Angeles County[10] from July 1, 2010, through June 30, 2011, for NEMT services billed as ambulance transfers from acute-care hospitals to skilled nursing facilities. These services were exempt from the State agency's prior authorization process. We excluded claims (1) that went through the State agency's prior authorization process, (2) associated with paid inpatient and long-term-care claims for the same beneficiaries on the same dates of service,[11] (3) with beginning dates of service on or before June 30, 2010, (4) related to an investigation at the time of our audit, and (5) for nonambulance services.

After taking into account the excluded claims, there were 23,766 NEMT fee-for-service claims paid to Los Angeles County providers. For our review, we grouped the claims into beneficiary-services. A beneficiary-service represented all paid claims for NEMT services provided to one beneficiary on the same beginning and ending dates of service. We removed any beneficiary-services (1) that did not include a response to a call for an ambulance, (2) that included a response to a call for an ambulance but for which the amount paid was zero, and (3) for which the total amount paid was zero or a negative amount. From a total of $1,576,437 ($937,606 Federal share) that the State agency claimed for 10,087 beneficiary-services, we reviewed a random sample of 100 beneficiary-services.

We did not review the overall internal control structure of the State agency or the Medicaid program. Rather, we limited our review of internal controls to those that were significant to the objective of our audit.

We conducted fieldwork at the State agency's offices in Sacramento and San Diego, California; the fiscal agent's office in West Sacramento, California; and 19 transportation providers' locations in Los Angeles County, California. We also contacted 12 medical facilities in Los Angeles County.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and guidance;
- obtained an overview of NEMT services from CMS officials;

[10] We used the transportation providers' payment address ZIP Codes to identify providers located in Los Angeles County.

[11] We obtained inpatient and long-term-care claims data from the State agency's 35-C File.

- interviewed State agency officials regarding eligibility requirements and prior authorization for NEMT services, service delivery, and reporting of NEMT expenditures on the CMS-64;

- interviewed the State agency's fiscal agent to obtain information on the claim adjudication process;

- obtained claims data from the State agency's 54-File from the fiscal agent for all fee-for-service claims paid for NEMT services from July 1, 2010, through June 30, 2011;

- reconciled the claims data with the NEMT expenditures reported on the CMS-64;

- used computer matching and data analysis techniques to identify paid Medicaid claims for ambulance transfers from acute-care hospitals to skilled nursing facilities at high risk for noncompliance with State billing requirements;

- created a sampling frame that contained 10,087 beneficiary-services, totaling $1,576,437 (Federal share $937,606);

- selected from the sampling frame a simple random sample of 100 beneficiary-services for which we:

    - interviewed transportation providers (if available) and obtained the transportation providers' documentation (e.g., trip logs and physician certification statements),

    - reviewed transportation providers' documentation to verify whether the beneficiaries were transferred between acute-care hospitals and skilled nursing facilities (and in some cases) contacted medical facilities for confirmation,

    - determined whether the NEMT services complied with Federal and State requirements and the allowability of the State agency's payments,

    - confirmed our findings with the State's nurse evaluators from the State agency's TAR office as to whether the beneficiary-services were (1) the lowest cost type of medical transportation adequate for the beneficiary's medical needs and (2) billed with procedure codes that accurately represented the services provided, and

    - estimated the unallowable Federal Medicaid reimbursement; and

- discussed our findings with State agency officials.

See Appendix C for the details of our statistical sampling methodology and Appendix D 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 C: STATISTICAL SAMPLING METHODOLOGY

POPULATION

The population consisted of all Medicaid fee-for-service claims paid to Los Angeles County providers for NEMT services from July 1, 2010, through June 30, 2011.

SAMPLING FRAME

For our audit period, there were 1,919,440 NEMT claims paid to Los Angeles County providers totaling $51,336,414 ($30,706,115 Federal share). From these claims, we removed:

- 1,883,050 claims that went through the State agency's prior authorization process (which we reviewed in a separate audit),
- 4,323 claims associated with paid inpatient claims for the same beneficiaries on the same dates of service,
- 3,559 claims with beginning dates of service on or before June 30, 2010,
- 2,119 claims associated with paid long-term-care claims for the same beneficiaries on the same dates of service,
- 1,687 claims related to an investigation at the time of our audit, and
- 936 claims with low-risk procedure codes for nonambulance services.[12]

From the remaining 23,766 ambulance-related NEMT claims, we created a sampling frame of beneficiary-services by grouping the claims on the basis of the Medicaid beneficiary identification number and beginning and ending dates of service. We removed from the sampling frame 535 beneficiary-services (1) that did not include a response to a call for an ambulance, (2) that included a response to a call for an ambulance but for which the amount paid was zero, and (3) for which the total amount paid was zero or a negative amount. As a result, the sampling frame consisted of 10,087 beneficiary-services (representing 23,186 NEMT claims), totaling $1,576,437 ($937,606 Federal share).

SAMPLE UNIT

The sample unit was a beneficiary-service, which included paid claims for all NEMT services provided to a beneficiary on the same beginning and ending dates of service.

[12] We considered claims billed for nonambulance services (litter van and wheelchair van) as low risk because the number of claims billed for these services was immaterial compared to the number of claims billed for ambulance services.

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

We selected a sample of 100 beneficiary-services.

SOURCE OF RANDOM NUMBERS

We used the OIG, Office of Audit Services (OAS), statistical software to generate the random numbers.

METHOD OF SELECTING SAMPLE UNITS

We consecutively numbered the sample units in the frame from 1 to 10,087. After generating 100 random numbers, we selected the corresponding frame items.

ESTIMATION METHODOLOGY

We used the OIG/OAS statistical software to estimate the unallowable Federal Medicaid reimbursement by applying the applicable FMAP to the payments for NEMT services that we determined did not comply with Federal and State requirements.

APPENDIX D: SAMPLE RESULTS AND ESTIMATES

Table 2: Sample Results

Frame Size	Value of Frame (Federal Share)	Sample Size	Value of Sample (Federal Share)	Number of Improper Payments	Value of Improper Payments (Federal Share)
10,087	$937,606	100	$9,408	72[13]	$5,001

Table 3: Estimates of Unallowable Federal Reimbursement for Nonemergency Medical Transportation Services (Federal Shares)
(Limits Calculated for a 90-Percent Confidence Interval)

Point estimate	$504,459
Lower limit	437,896
Upper limit	571,022

[13] The total number of improper payments is 72 because it includes an underpayment we allowed for an item in addition to the transportation service.

APPENDIX E: FEDERAL AND STATE REQUIREMENTS FOR NONEMERGENCY MEDICAL TRANSPORTATION SERVICES AND PROVIDERS

FEDERAL REQUIREMENTS

Transportation Definition

Federal regulations state that transportation "includes expenses for transportation and other related travel expenses determined to be necessary by the agency to secure medical examinations and treatment for a [beneficiary]" (42 CFR § 440.170(a)(1)).

State Plan Requirements

The Social Security Act, section 1902(a)(27), requires a State plan for medical assistance to:

> 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, and (B) to furnish the State agency or the Secretary with such information, regarding any payments claimed by such person or institution for providing services under the State plan, as the State agency or the Secretary may from time to time request.

Federal regulations state: "A State plan must— (a) Specify that the Medicaid agency will ensure necessary transportation for [beneficiaries] to and from providers; and (b) Describe the methods that the agency will use to meet this requirement" (42 CFR § 431.53).

Documentation Requirements

CMS's *State Medicaid Manual* (the Manual), Pub. No. 45, directs States to "[r]eport only expenditures for which all supporting documentation, in readily reviewable form, has been compiled and which is immediately available when the claim is filed" (the Manual, chapter 2, § 2500.2.A.). The Manual specifies that "supporting documentation includes as a minimum the following: date of service, name of [beneficiary], Medicaid identification number, name of provider agency and person providing the service, nature, extent, or units of service, and the place of service" (the Manual, chapter 2, § 2500.2.A.).

STATE REQUIREMENTS

Definition of Nonemergency Medical Transportation Services

State regulations define NEMT as "transportation by ambulance, litter van and wheelchair van of the sick, injured, invalid, convalescent, infirm or otherwise incapacitated persons whose medical conditions require medical transportation services but do not require emergency services or equipment during transport" (22 CCR § 51151.7).

According to State regulations: "Ambulance, litter van and wheelchair van medical transportation services are covered when the beneficiary's medical and physical condition is such that transport by ordinary means of public or private conveyance is medically contraindicated, and transportation is required for the purpose of obtaining needed medical care" (22 CCR § 51323(a)).

Prior Authorization Requirements

According to State regulations (22 CCR § 51323(b)(2)):

> All nonemergency medical transportation, necessary to obtain program covered services, requires a physician's, dentist's or podiatrist's prescription and prior authorization except … (C) Nonemergency transportation services are exempt from prior authorization when provided to a patient being transferred from an acute-care hospital immediately following a stay as an inpatient at the acute level of care to a skilled nursing facility or an intermediate care facility licensed pursuant to Section 1250 of the Health and Safety Code.

State regulations define prior authorization as "authorization granted by a designated [Medicaid program] consultant or by a Primary Care Case Management (PCCM) plan and is obtained through submission and approval of a TAR." In addition, according to State regulations: "Any provider who prescribes a service shall not sign a [TAR] until the patient has been examined and all of the following information appears on the TAR: (a) Beneficiary identification; (b) Provider identification; (c) Diagnosis and other pertinent medical information; and (d) Service or item requested" (22 CCR § 51456).

Lowest Cost Requirements

According to State regulations: "Authorization shall be granted or [Medicaid] reimbursement shall be approved only for the lowest cost type of medical transportation that is adequate for the patient's medical needs, and is available at the time transportation is required" (22 CCR § 51323(b)).

Billing Requirements

State regulations require transportation providers to bill procedure code X0400 (response to call, ambulance) for the transfer of a patient from a discharging acute-care hospital to a receiving skilled nursing facility or intermediate-care facility by ambulance (22 CCR § 51527(b)(4)).

APPENDIX F: STATE AGENCY COMMENTS

JENNIFER KENT
DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services

EDMUND G. BROWN JR.
GOVERNOR

Ms. Lori A. Ahlstrand
Regional Inspector General for Audit Services
Office of Audit Services, Region IX
90-7th Street, Suite 3-650
San Francisco, CA 94103

Dear Ms. Ahlstrand:

The California Department of Health Care Services (DHCS) has prepared its response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG) draft report entitled *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.*

DHCS appreciates the work performed by OIG and the opportunity to respond to the draft report. Please contact Ms. Jacqueline Shepherd, Audit Coordinator, at (916) 650-0298 if you have any questions.

Sincerely,

[Jennifer Kent]

Jennifer Kent
Director

Enclosure

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Department of Health Care Services Response to OIG Draft Audit Report: *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*

Finding #1: For 71 beneficiary-services, the State agency paid for NEMT services that were not billed at the lowest cost type of medical transportation adequate for the beneficiaries' medical needs. Based on the OIG sample results, OIG estimated that the State agency claimed Federal Medicaid reimbursement of at least $437,896 for incorrectly billed services.

Recommendation 1: DHCS should refund $437,896 to the Federal Government.

Response: DHCS: ☒ Agrees ☐ Disagrees with the recommendation.
If you agree, describe the corrective action taken or planned. If you disagree, indicate the specific reason(s) for the non-concurrence and a statement of any alternative corrective action taken or planned below. An estimated date of completion is required.

DHCS agrees the State paid for NEMT services that were not billed at the lowest cost type of medical transportation adequate for the beneficiaries' medical needs and agrees to refund $437,896 to the Federal Government. DHCS estimates to have this completed by September 1, 2015.

Finding #2: For 65 beneficiary-services, transportation providers incorrectly billed the NEMT services as transfers not requiring prior authorization, specifically as transfers from acute-care hospitals following an inpatient stay to skilled nursing facilities. The incorrect billing did not result in overpayments for all 65 beneficiary-services, but the services should have been billed using procedure codes that accurately represented the services provided. By billing these services incorrectly, the transportation providers bypassed the State agency's prior authorization process.

Recommendation 2: Educate transportation providers to ensure that they follow State regulations for billing the lowest cost type of medical transportation adequate for the beneficiaries' medical needs.

Response: DHCS: ☒ Agrees ☐ Disagrees with the recommendation.
If you agree, describe the corrective action taken or planned. If you disagree, indicate the specific reason(s) for the non-concurrence and a statement of any alternative corrective action taken or planned below. An estimated date of completion is required.

DHCS will review the Medi-Cal Provider Manual Section for NEMT services to verify current policy and State law regarding billing the lowest cost type of medical transportation adequate for the beneficiaries' medical needs. If necessary, DHCS will update the Manual and notify

providers that the Manual has been updated. DHCS will coordinate with the Fiscal Intermediary to develop a training module for NEMT providers to address billing the lowest cost type of medical transportation adequate for the beneficiaries' medical needs. DHCS estimates to have this completed by September 1, 2015.

Recommendation 3: Establish procedures to ensure that transportation providers follow State regulations when billing NEMT services as transfers not requiring prior authorization.

Response: DHCS: ☒ Agrees ☐ Disagrees with the recommendation.

If you agree, describe the corrective action taken or planned. If you disagree, indicate the specific reason(s) for the non-concurrence and a statement of any alternative corrective action taken or planned below. An estimated date of completion is required.

DHCS, in the Medi-Cal Provider Manual, has established procedures which address billing NEMT services as transfers not requiring prior authorization. DHCS will use Letters, Information Services and Bulletins to remind providers of these existing billing procedures surrounding NEMT services. DHCS will coordinate with the Fiscal Intermediary to develop a training module for NEMT providers to reiterate how to bill for NEMT services as transfers not requiring prior authorization. DHCS estimates to have this completed by September 1, 2015.

Recommendation 4: Consider conducting additional reviews of the transportation providers with billing errors identified in the OIG review.

Response: DHCS: ☒ Agrees ☐ Disagrees with the recommendation.
If you agree, describe the corrective action taken or planned. If you disagree, indicate the specific reason(s) for the non-concurrence and a statement of any alternative corrective action taken or planned below. An estimated date of completion is required.

DHCS agrees with the recommendation. DHCS Medical Review Branch (MRB) has authorized the Recovery Audit Contractor (RAC) to review NEMT providers. This review is in progress and there is no established end date other than the contract with the RAC provider.