TO: RADM Craig Vanderwagen, M.D.
    Assistant Secretary for
    Preparedness and Response

FROM: Daniel R. Levinson
      Inspector General

SUBJECT: Review of CareFlite’s Evacuee Medical Transportation Contract
         (A-06-07-00009)

Attached is an advance copy of our final report on CareFlite’s evacuee medical transportation contract. We will issue this report to CareFlite within 5 business days.

One of the responsibilities of the Department of Health and Human Services (HHS) in response to Hurricanes Katrina and Rita is the transportation of evacuees who require medical care from their places of evacuation to their original locations. To carry out this responsibility, the HHS Office of Public Health Emergency Preparedness contracted with North Central Texas Services, Inc., which operates under the name “CareFlite.” The $21 million contract was effective October 12, 2005, and is ongoing. From October 12, 2005, through April 11, 2006, CareFlite billed HHS $5,708,508 for 810 patient transports.

Our objective was to determine whether the costs that CareFlite billed to HHS were allowable under the contract terms.

Of the $5,708,508 in costs that CareFlite billed to HHS, $3,661,154 was allowable under the contract terms. The remaining $2,047,354 did not fully comply with the contract terms:

- CareFlite did not always arrange for the most economical transportation. For example, CareFlite did not obtain subcontractor quotes for any of the 145 patients whom it transported directly at a cost of $1,978,513. CareFlite officials stated that they used their own equipment to transport a patient if the patient was within their service area and they had the resources available to perform the transport.

- CareFlite did not arrange the transportation mode selected by the discharge planners and documented on the patient medical necessity forms for 11 transports, resulting in excess transportation costs of $68,841. CareFlite transported the 11 patients via air ambulance even though the forms indicated that commercial air with a medical escort should have
been used. CareFlite officials stated that they could not locate a subcontractor to provide commercial air transports during the initial contract period, when these transports occurred.

We recommend that CareFlite:

- work with the HHS contracting officer to determine the allowability of the $1,978,513 in costs billed without having determined the most economical transportation,
- ensure that future transports are arranged in the most economical fashion,
- refund $68,841 to HHS for the excess costs resulting from arranging transports at a higher level of care than was medically necessary, and
- ensure that future transports are arranged using the transportation modes indicated on the medical necessity forms.

In written comments on our draft report, CareFlite disagreed with our findings and recommendations. CareFlite stated that it was not contractually required to obtain subcontractor quotes and that the contract required consideration of factors other than cost when arranging transportation. CareFlite also stated that it was not prohibited from changing the mode of transportation indicated on the medical necessity forms.

We agree that subcontractor quotes are not contractually required, and we have revised our second recommendation accordingly. However, there was no assurance that CareFlite arranged the most economical transportation for 145 patients. CareFlite did not provide any additional information that would lead us to change our other recommendations or our findings.

This review was conducted in conjunction with the President’s Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Joseph J. Green, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at Joe.Green@oig.hhs.gov or Gordon L. Sato, Regional Inspector General for Audit Services, Region VI, at (214) 767-8414 or through e-mail at Gordon.Sato@oig.hhs.gov. Please refer to report number A-06-07-00009.

Attachment

cc:
Joe Ellis
Assistant Secretary for Administration and Management
Report Number: A-06-07-00009

Mr. Raymond K. Dauphinais  
Vice President of Flight Operations  
CareFlite  
3110 South Great Southwest Parkway  
Grand Prairie, Texas  75052

Dear Mr. Dauphinais:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled “Review of CareFlite’s Evacuee Medical Transportation Contract.” A copy of this report will be forwarded to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports issued to the Department’s grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

This review was conducted in conjunction with the President’s Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

Please refer to report number A-06-07-00009 in all correspondence.

Sincerely,

Gordon L. Sato  
Regional Inspector General  
for Audit Services

Enclosures
Direct Reply to HHS Action Official:

Dr. Kevin Yeskey  
Acting Deputy Assistant Secretary  
Office of the Assistant Secretary for Preparedness and Response  
200 Independence Avenue, S.W.  
Room 638-G  
Washington, DC  20201
The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

**Office of Audit Services**

The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

**Office of Evaluation and Inspections**

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. Specifically, these evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness in departmental programs. To promote impact, the reports also present practical recommendations for improving program operations.

**Office of Investigations**

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties.

**Office of Counsel to the Inspector General**

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG’s internal operations. OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within HHS. OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops compliance program guidances, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.
NOTICES

THIS REPORT IS AVAILABLE TO THE PUBLIC
at http://oig.hhs.gov

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.
EXECUTIVE SUMMARY

BACKGROUND

One of the responsibilities of the Department of Health and Human Services (HHS) in response to Hurricanes Katrina and Rita is the transportation of evacuees who require medical care from their places of evacuation to their original locations. To carry out this responsibility, the HHS Office of Public Health Emergency Preparedness contracted with North Central Texas Services, Inc., which operates under the name “CareFlite.” The $21 million contract was effective October 12, 2005, and is ongoing.

The contract requires CareFlite to arrange the most economical transportation, which may include using subcontractors, for returning evacuees. The contract also requires CareFlite to arrange the transportation mode indicated on the patient medical necessity forms completed by staff of the discharging health care facilities. Three of the modes of transportation that CareFlite may arrange are fixed-wing air ambulance (air ambulance), commercial air with a medical escort (commercial air), and ground ambulance. HHS pays CareFlite a transportation fee for each transport it provides directly, reimbursement for the cost of each subcontractor transport, and a management fee for each patient transported.

From October 12, 2005, through April 11, 2006, CareFlite billed HHS $5,708,508 for 810 patient transports.

OBJECTIVE

Our objective was to determine whether the costs that CareFlite billed to HHS were allowable under the contract terms.

SUMMARY OF FINDINGS

Of the $5,708,508 in costs that CareFlite billed to HHS, $3,661,154 was allowable under the contract terms. The remaining $2,047,354 did not fully comply with the contract terms:

- CareFlite did not always arrange for the most economical transportation. For example, CareFlite did not obtain subcontractor quotes for any of the 145 patients whom it transported directly at a cost of $1,978,513. CareFlite officials stated that they used their own equipment to transport a patient if the patient was within their service area and they had the resources available to perform the transport.

- CareFlite did not arrange the transportation mode selected by the discharge planners and documented on the patient medical necessity forms for 11 transports, resulting in excess transportation costs of $68,841. CareFlite transported the 11 patients via air ambulance even though the forms indicated that commercial air should have been used. CareFlite officials stated that they could not locate a subcontractor to provide commercial air transports during the initial contract period, when these transports occurred.
RECOMMENDATIONS

We recommend that CareFlite:

- work with the HHS contracting officer to determine the allowability of the $1,978,513 in costs billed without having determined the most economical transportation,
- ensure that future transports are arranged in the most economical fashion,
- refund $68,841 to HHS for the excess costs resulting from arranging transports at a higher level of care than was medically necessary, and
- ensure that future transports are arranged using the transportation modes indicated on the medical necessity forms.

CAREFLITE’S COMMENTS

In its comments on our draft report, CareFlite disagreed with our findings and recommendations. CareFlite stated that it was not contractually required to obtain subcontractor quotes and that the contract required consideration of factors other than cost when arranging transportation. CareFlite also stated that it was not prohibited from changing the mode of transportation indicated on the medical necessity forms.

CareFlite’s comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL’S RESPONSE

We agree that subcontractor quotes are not contractually required, and we have revised our second recommendation accordingly. However, there was no assurance that CareFlite arranged the most economical transportation for 145 patients. CareFlite did not provide any additional information that would lead us to change our other recommendations or our findings.
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INTRODUCTION

BACKGROUND

Hurricane Relief Efforts

Following Hurricanes Katrina and Rita in 2005, Congress provided more than $63 billion to the Department of Homeland Security for disaster relief. Under its National Response Plan, the Department of Homeland Security’s Federal Emergency Management Agency (FEMA) coordinated relief efforts by assigning tasks, known as missions, to other Federal agencies. FEMA agreed to reimburse the other agencies for their costs.

FEMA assigned the Department of Health and Human Services (HHS) the responsibility for relief operations in the areas of public health and medical services, including the return of all evacuees requiring en route medical care. These ill and injured people had been evacuated from the hurricane-affected areas to various Federal coordinating centers and then placed in hospitals in metropolitan areas near the centers.

CareFlite Contract

To meet its hurricane-related transportation responsibilities, the HHS Office of Public Health Emergency Preparedness contracted with North Central Texas Services, Inc., which operates under the name “CareFlite.” CareFlite is an emergency transportation service located in Grand Prairie, Texas. The contract obligates CareFlite to arrange transportation for all evacuees requiring medical care while traveling back to their original locations. The $21 million cost-plus-fixed-fee contract was effective October 12, 2005, and is ongoing.

As the contract required, CareFlite established a call center, which began operating October 15, 2005. To arrange for patient transportation, staff at health care facilities that are discharging evacuated patients are required to contact the call center and submit medical necessity forms to CareFlite. The contract requires CareFlite to arrange the transportation mode indicated on the medical necessity forms. Three of the modes of transportation that CareFlite may arrange are fixed-wing air ambulance (air ambulance), commercial air with a medical escort (commercial air), and ground ambulance.

Pursuant to the contract terms, CareFlite provides some transports using its own equipment and subcontracts with ambulance providers for other transports. HHS pays CareFlite a transportation fee for each transport it provides directly, reimbursement for the cost of each subcontractor transport, and a management fee for each patient transported.

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1 The Department of Homeland Security developed the National Response Plan in response to Homeland Security Presidential Directive 5, which seeks to enhance the Nation’s ability to manage domestic incidents by establishing a single, comprehensive national incident management system.

2 The Office of Public Health Emergency Preparedness is now called the Office of the Assistant Secretary for Preparedness and Response.
OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the costs that CareFlite billed to HHS were allowable under the contract terms.

Scope

The audit covered CareFlite costs billed to HHS from October 12, 2005, the effective date of the contract, through April 11, 2006. During this period, CareFlite billed and received $5,708,508 for 810 patient transports, including $4,891,208 in transportation fees and subcontractor transportation costs and $817,300 in management fees.

We limited our review of CareFlite’s internal controls to those related to our objective.

We conducted our fieldwork at CareFlite’s office in Grand Prairie, Texas, and at two of its subcontractors’ offices.

Methodology

To accomplish our objective, we:

• reviewed the contract and applicable Federal contracting regulations;

• reviewed the medical necessity forms, invoices, and other supporting documentation associated with the costs billed for the 810 transports during our audit period;

• interviewed CareFlite officials to gain an understanding of the process used to arrange and bill for patient transportation under the contract;

• interviewed officials of two air ambulance companies with which CareFlite subcontracted to gain an understanding of how subcontractors arranged and billed CareFlite for transports; and

• reviewed the two subcontractors’ documentation to determine how they calculated transportation quotes.

We conducted our audit in accordance with generally accepted government auditing standards.
FINDINGS AND RECOMMENDATIONS

Of the $5,708,508 in costs that CareFlite billed to HHS, $3,661,154 was allowable under the contract terms. The remaining $2,047,354 did not fully comply with the contract terms:

- CareFlite did not always arrange for the most economical transportation. For example, CareFlite did not obtain subcontractor quotes for any of the 145 patients whom it transported directly at a cost of $1,978,513. CareFlite officials stated that they used their own equipment to transport a patient if the patient was within their service area and they had the resources available to perform the transport.

- CareFlite did not arrange the transportation mode selected by the discharge planners and documented on the patient medical necessity forms for 11 transports, resulting in excess transportation costs of $68,841. CareFlite transported the 11 patients via air ambulance even though the forms indicated that commercial air should have been used. CareFlite officials stated that they could not locate a subcontractor to provide commercial air transports during the initial contract period, when these transports occurred.

MOST ECONOMICAL TRANSPORTATION NOT DETERMINED

The contract states that CareFlite will “Arrange for transportation in the most economical fashion, using subcontractors if necessary that normally work in the departing city or region.” The contract also states: “The Contractor [CareFlite] is encouraged to subcontract to the maximum extent possible the actual travel portion.”

Because it did not obtain subcontractor quotes, CareFlite did not determine whether it was providing the most economical transportation for the 145 patients whom it transported directly. During our fieldwork, CareFlite officials stated that they used their own equipment to transport a patient if the patient was within their service area and they had the resources available. CareFlite officials defined their service area as being within a 1,000-mile radius of Dallas, Texas. For subcontracted transports, CareFlite obtained at least two quotes from other ambulance providers.

We noted that some subcontractors’ costs for patient transports were lower than CareFlite’s costs. The condition of the patients was not a factor in these cost variances. The average cost of a ground ambulance transport provided by CareFlite was $1,688; the average cost of a subcontracted ground ambulance transport was $1,507. The average cost of an air ambulance transport provided by CareFlite was $18,200; the average cost of a subcontracted air ambulance transport was $7,783. For example:

- CareFlite transported a patient via air ambulance from Oklahoma City, Oklahoma, to Port Arthur, Texas, on October 18, 2005, and billed HHS $22,285. A subcontractor transported another patient via air ambulance from Oklahoma City to Port Arthur on November 3, 2005, for $7,160, a difference of $15,125.

- CareFlite transported a patient via air ambulance from Macon, Georgia, to Beaumont, Texas, on October 22, 2005, and billed HHS $30,461. A subcontractor transported
another patient via air ambulance from Macon to Beaumont on November 6, 2005, for $7,819, a difference of $22,642.

The following table summarizes patient transport costs and indicates the variability in costs by provider:

<table>
<thead>
<tr>
<th>Provider</th>
<th>Air Ambulance</th>
<th>Commercial Air</th>
<th>Ground Ambulance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transports</td>
<td>Cost</td>
<td>Transports</td>
<td>Cost</td>
</tr>
<tr>
<td>CareFlite</td>
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<td>N/A</td>
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<td>$714,285</td>
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<td>341</td>
<td>$3,747,754</td>
<td>189</td>
<td>$714,285</td>
</tr>
</tbody>
</table>

In light of this variability, there was no assurance that the 145 transports that CareFlite provided at a cost of $1,978,513 were provided in the most economical fashion.

**INCORRECT MODE OF TRANSPORTATION ARRANGED**

The contract requires CareFlite to “Receive from the discharge planner documentation of the level of medical care necessary to safely transport the patient . . . . This documentation will serve as an audit trail to verify that the correct mode of patient transport was utilized.”

For 11 transports during the initial contract period (October 12 to November 17, 2005), the medical necessity forms completed by staff of the discharging facilities indicated a transportation mode that differed from the mode that CareFlite or its subcontractors actually provided. The forms showed that the 11 patients should have been transported via commercial air; however, these patients were transported via air ambulance.

During our fieldwork, CareFlite officials stated that they could not find a subcontractor to provide commercial air transports during the initial contract period. However, officials of two subcontractors that provided air ambulance transports for CareFlite during this period told us that their companies also could have provided commercial air transports from the beginning of the contract period. We verified that both the originating and destination locations for the 11 transports were within 100 miles of airports served by commercial airlines.

CareFlite transported the 11 patients at a level of care higher than that documented as medically necessary, resulting in excess costs of $68,841. (See Appendix A for details.)

**RECOMMENDATIONS**

We recommend that CareFlite:

- work with the HHS contracting officer to determine the allowability of the $1,978,513 in costs billed without having determined the most economical transportation,
• ensure that future transports are arranged in the most economical fashion,

• refund $68,841 to HHS for the excess costs resulting from arranging transports at a higher level of care than was medically necessary, and

• ensure that future transports are arranged using the transportation modes indicated on the medical necessity forms.

CAREFLITE’S COMMENTS AND OFFICE OF INSPECTOR GENERAL’S RESPONSE

In written comments on our draft report, CareFlite disagreed with our findings and recommendations. CareFlite’s comments are included in their entirety as Appendix B and are summarized below, along with our response.

Most Economical Transportation Not Determined

CareFlite’s Comments

Regarding our finding that CareFlite did not arrange for the most economical transportation for the 145 patients whom it transported directly, CareFlite stated that it was not contractually required to obtain a second quote from a subcontractor. CareFlite also stated that we had incorrectly assumed that the contract always required the use of subcontractors and that cost was to be the sole factor governing every decision. CareFlite pointed out that the contract required consideration of additional factors, including timeliness and appropriate medical treatment, and that it had fully complied with its contractual obligations.

Office of Inspector General’s Response

We agree that subcontractor quotes are not contractually required, and we have revised our second recommendation accordingly. However, there was no assurance that the 145 transports that CareFlite provided at a cost of $1,978,513 were provided in the most economical fashion as required.

Regarding CareFlite’s statement that the contract required consideration of factors other than cost, CareFlite did not provide any additional information indicating why these factors necessitated that it, rather than a subcontractor, provide the transportation. We also note that, although CareFlite directly provided about 31 percent of the air ambulance transports, those transports totaled about 51 percent of the air ambulance transportation costs charged to the contract. As stated previously, the average cost of an air ambulance transport provided by CareFlite was $18,200, while the average cost of a subcontracted air ambulance transport was $7,783, a difference of $10,417.
Incorrect Mode of Transportation Arranged

CareFlite’s Comments

With respect to our finding that 11 patients were transported by air ambulance even though the medical necessity forms indicated that they should have been transported by commercial air, CareFlite stated that it had appropriately exercised its discretion, taking into account other factors, such as “the condition of medical infrastructures and the interests of the patient.” CareFlite also stated that it was not prohibited from changing the mode of transportation indicated on the medical necessity forms.

Office of Inspector General’s Response

CareFlite did not provide any additional information indicating why other factors necessitated changing the mode of transportation from commercial air to air ambulance. The contract states that “the discharge planner documentation of the level of medical care necessary to safely transport the patient . . . will serve as an audit trail to verify that the correct mode of patient transport was utilized.” Accordingly, we continue to support our finding and related recommendations.

Permissible Modes of Transportation

CareFlite’s Comments

CareFlite stated that we incorrectly assumed that only three modes of transportation were permissible under the contract: air ambulance, commercial air with a medical escort, and ground ambulance. CareFlite noted that all modes of transportation used were permissible.

Office of Inspector General’s Response

Our report states that three of the modes of transportation that CareFlite may arrange are air ambulance, commercial air with a medical escort, and ground ambulance. It does not state that these are the only permissible modes of transportation or that CareFlite arranged for impermissible modes of transportation.
APPENDIXES
EXCESS COSTS DUE TO USE OF AIR AMBULANCE RATHER THAN COMMERCIAL AIR AS INDICATED ON THE MEDICAL NECESSITY FORMS

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<thead>
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<th>Patient</th>
<th>Cost of Air Ambulance Transport</th>
<th>Commercial Air Rate¹</th>
<th>Excess Cost</th>
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<tr>
<td>1</td>
<td>$19,000</td>
<td>$5,000</td>
<td>$14,000</td>
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<td>2</td>
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<tr>
<td>10</td>
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<tr>
<td>11</td>
<td>15,675</td>
<td>5,000</td>
<td>10,675</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$123,841</strong></td>
<td><strong>$55,000</strong></td>
<td><strong>$68,841</strong></td>
</tr>
</tbody>
</table>

¹On November 3, 2005, CareFlite subcontracted with a company to arrange all commercial air transports for a fixed rate of $5,000 per transport. Later, CareFlite found other subcontractors that could arrange commercial air transports for $2,000 to $4,000 per transport. To calculate the excess costs that CareFlite billed, we used $5,000 as the commercial air rate.
CareFlite Response to OIG Report Number:
A-06-07-00009

Gordon L. Sato
Regional Inspector General for Audit Services
Office of Audit Services
1100 Commerce, Room 632
Dallas, TX 75242

Dear Mr. Sato:

Background:

On October 10, 2005 CareFlite submitted to the Department of Health and Human Services a formal response to an open RFP for a system to transport evacuees who need medical care from their places of evacuation to their original or temporary locations. On October 12, 2005 CareFlite was notified that it was awarded contract number HHSP23320064150EC, Patient movement support for Katrina and Rita evacuees.

During the next 72 hours, CareFlite secured an offsite location, obtained a toll free number, hired and trained employees, installed phone equipment and started the development of a software program to document the patient movement, in addition to the paper documentation.

In consultation with many members of Federal, State and local government officials, an information flow process was developed for people calling the call center. There were several conference calls with government officials so everyone would have a clear understanding of what the mission of the call center would be. During the conference calls the information that CareFlite received was that there were possibly 3000-6000 patients that were evacuated. During this process CareFlite assisted in the development of the medical necessity document, in order to have one common document that everyone could use.

North Central Texas Services
(A Texas Nonprofit Corporation)
For patient transport: (800) 442-6260
3110 S. Great Trinity Ford Rd, Dallas, Texas 75052 • TEL 972-339-4200 • FAX 972-988-3144 • www.careflite.org
On October 15, 2005, The Health and Human Services Medical transport center opened. During the next 6 months, the call center arranged transportation for 810 patients. During this time frame, because of the emergency nature of the events and also because it was not possible for the parties to have anticipated everything in advance, CareFlite was in contact with the contracting officer several times a week to work out event specific issues as they arose.

**Response to Specific Items in the OIG report.**

CareFlite respectfully disagrees with the assessment in the OIG report with regards to the following issues.

1. **CareFlite Did Not Use Impermissible Modes of Transportation**

   In the OIG report, on page one under CareFlite contract, the second paragraph states: “As the contract required, CareFlite established a call center, which began operating October 15, 2005. To arrange for patient transportation, staff at health care facilities that are discharging evacuated patients are required to contact the call center and submit medical necessity forms to CareFlite. The contract requires CareFlite to arrange the transportation mode indicated on the medical necessity forms. Three of the modes of transportation that CareFlite may arrange are fixed-wing air ambulance (air ambulance), commercial air with a medical escort (commercial air), and ground ambulance.”

   There seems to be an assumption that only three modes of transportation were permissible. That assumption is not correct. The contract is clear on this point. The Patient Movement Support Task Order Contract # HHSP23320064150EC, page 3, bullet 12, states: “Arrange transportation of patients via multiple systems that should include, but not be limited to: Medical escort on commercial airlines, air ambulance, helicopter, and ground vehicles (ambulance and/or other suitable means).”

   The report is not correct regarding the contract imposing limits on permissible modes of transportation. CareFlite did not use impermissible modes of transportation. All modes used were permissible.

2. **The Contract Does Not Require Use of Subcontractors, and the Contract Does Not Provide That Cheapest Cost Was the Sole Factor to Be Considered in Selecting Appropriate Transportation**

   Page 3 of the OIG report contains the heading “Most Economical Transportation Not Determined.” The fourth paragraph states: “The contract states that CareFlite will arrange for transportation in the most economical fashion, using subcontractors if necessary that normally work in the departing city or region.” The contract also states: “The contractor (CareFlite) is encouraged to subcontract to the maximum extent possible the actual travel portion.” There seem to be assumptions that the language of the contract...
always required use of subcontractors and that cost was supposed to be the sole factor
governing every decision. Those assumptions are not correct.

On page 3 of the Patient Movement Support Task Order Contract #
HHSP23320064150EC bullet 14 states as follows: “Arrange for air
transportation evacuation and/or ground movement expeditiously in order to ensure all
appropriate medical treatment is available with a minimum time lapse.” (emphasis
added). Thus, under the contract, CareFlite was to consider also expeditiousness of care,
appropriate medical treatment and minimum lapse of time. It is incorrect to assume that
cheapness of costs was the sole factor that was to govern every decision.

Moreover, it is incorrect to assume that the contract required use of
subcontractors. The contract uses the language “if necessary” and “encouraged.”
Contractually CareFlite was not required to use subcontractors but encouraged to do so.
CareFlite also submitted with the RFP a list of CareFlite’s rates for performance of
transports.

This is not a situation where CareFlite refused to use subcontractors. CareFlite
performed 18 percent of the transports. This means that other entities (subcontractors)
performed 82 percent of the transports. Thus, the numbers demonstrate that CareFlite
extensively used subcontractors.

3. CareFlite Did Not Improperly Change Initially Designated Modes of
Transportation

The modes of transportation for 11 patients were changed from commercial air
with medical escort to air ambulance. Contrary to the OIG report’s assumption, these
changes were not prohibited. CareFlite fully complied with its obligation to exercise its
discretion based on, among other things, availability of fully operating medical
infrastructures and the best interests of the patient.

A document titled “Office of Mass Casualty Planning Version 7.0,” dated October
12, 2005 was the working document of all agencies involved. On page 6 of that
document, Item #2 states:

“Discharge Planning and Coordination with the State; this
phase/state begins when the discharge planner initiates the normal process
of identifying a return location for the patient. Once suitable facility
selection is complete, and validation has occurred, the facility will call the
Patient Evacuation contractor CareFlite to begin the process of actually
moving the patient. This process requires close coordination between the
contractor CareFlite and the health care facility discharging the patient to
ensure that appropriate medical support is provided enroute and at the
final destination selected. Normal discharge planning rules will be
followed but it must be emphasized that patients are returning to
areas that may not have fully operating medical infrastructures. This
implies that the health care facility and patient evacuation contractor CareFlite will lean toward what is in the best interest of the patient and may move patients that otherwise could have moved on commercial air. End state occurs when the hospital has released the patient to the patient evacuation system”.

The above highlighted portion of the document expressly requires CareFlite to exercise discretion, taking into account the condition of medical infrastructures and the interests of the patient. The appropriate exercise of this discretion is the reason these patients were moved by air ambulance instead of commercial air.

It would be totally incorrect to assume that CareFlite ignored efficiency and economies in exercising discretion. In the list of the 145 patients CareFlite transported, there are 20 patients who were transported by bus with medical escort. These patients had been initially selected on the medical necessity form for commercial air with medical escort. All of these patients were in the Dallas/Fort Worth area, returning to the Texas gulf coast area. CareFlite management exercised discretion in evaluating these 20 patients and, along with the discharge planners, changed the initial designations from commercial air to bus. As a result, the cost was $550 per patient, for a total of $11,000. Using the OIG number of $5000 for commercial air, if these patients had been transported by commercial air, the total cost would have been $100,000 (using the OIG number of $5,000 per patient. By exercising the discretion, CareFlite saved $89,000. The point is that, at each step, CareFlite responsibly exercised appropriate discretion. In these two instances, CareFlite saved $89,000 and spent an extra $68,841, for a total savings of $20,159.

**Recommendations**

With regards to the OIG recommendations, CareFlite’s positions are as follows:

- One OIG recommendation is that CareFlite should work with the HHS contracting officer to determine the allowability of the $1,978,513 in costs billed without having determined the most economical transportation. It is CareFlite’s position that CareFlite was not contractually required to always obtain a second quote (from a subcontractor). The contract appropriately required CareFlite to consider additional factors, including timeliness and appropriate medical treatment. CareFlite fully complied with its obligations.

- Another OIG recommendation is that CareFlite ensure that future transports are arranged in the most economical fashion by obtaining subcontractor quotes for all transports. The existing contract does not require CareFlite to do this. The existing contract encourages CareFlite to use subcontractors but does not require such. If the contract were
modified to require additional steps (and corresponding delay), it would only be fair to consider a fee for additional services not presently required.

- Another OIG recommendation is that CareFlite refund $68,841 to HHS for excess costs resulting from arranging transports at a higher level of care than was medically necessary. It is CareFlite’s position that the working document plainly required CareFlite to exercise discretion, taking into account not only the cheapest costs but also the condition of medical infrastructures and the best interests of the patient. CareFlite fully complied. Overall, CareFlite appropriately considered cost and saved $20,159.

- Still another recommendation is that CareFlite ensure that future transports are arranged using the transportation modes indicated on the medical necessity forms. Again, CareFlite has fully complied with its obligations. The working document in force and effect required CareFlite to consider other factors and exercise responsible discretion.

**Conclusion**

CareFlite would like to commend the OIG for their professionalism during this process. CareFlite believes that the spirit of cooperation assisted during this process.

In September and October of 2005, our country was impacted by massive hurricanes and subsequent flooding on a scale that had never been seen before. Hundreds of thousands of people were displaced. We will all remember the images on television of the people who were in distress during this time. CareFlite was involved with the evacuation of the Texas coast.

Some of CareFlite’s for-profit competitors removed all of their resources. In contrast, CareFlite maintained its responsibilities to the communities we serve. CareFlite sent resources to the coast to assist in the evacuation. Along with many other agencies, CareFlite was proud to serve our country in the time of need.

Shortly after the disaster, CareFlite responded to an open RFP and was subsequently awarded contract HHSP23320064150EC, Patient movement support for Katrina and Rita evacuees.

During the first 6 months, over 800 patients were transported back without incident. To CareFlite’s knowledge there have not been any complaints regarding any transport.

CareFlite believes that it was selected for this project because of its history and unique knowledge of the medical transportation industry. Subsequently the original contract has been extended a total of 3 times. Amendments have been made to the
original agreement to reflect conditions that have evolved and changed over time, such as the current needs of the patient population.

CareFlite believes that it has performed according to the letter and spirit of the contract. All decisions appropriately considered efficiency, economies, and what transportation was and was not available at the time, infrastructures, and the best interest of the patients. CareFlite complied with the rules in effect at the time decisions were made. We all would agree it would be unfair to change the rules today and apply the changes retroactively. The goal was to get the patients safely back to their homes or care facilities. CareFlite is proud of services it has provided and continues to provide.

Sincerely,

Raymond K. Dauphinais
Vice President of Flight Operations
Careflite