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OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES
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SEP 16 2008

Report Number: A-03-07-00204

Mr. Robert T. Maruca
Senior Deputy Director
Medical Assistance Administration
825 North Capitol Street NE
Washington, DC 20002

Dear Mr. Maruca:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Non-Emergency Transportation Services Provided by Epps Transportation Services, Inc., from January 1, 2004, through December 31, 2006." We will forward a copy of this report 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 this 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Robert Baiocco, Audit Manager, at (215) 861-4486 or through e-mail at Robert.Baiocco@oig.hhs.gov. Please refer to report number A-03-07-00204 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Virbitsky".

Stephen Virbitsky
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Jackie Garner, Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF NON-EMERGENCY
TRANSPORTATION SERVICES
PROVIDED BY
EPPS TRANSPORTATION
SERVICES, INC.,
FROM JANUARY 1, 2004,
THROUGH DECEMBER 31, 2006**



Daniel R. Levinson
Inspector General

September 2008
A-03-07-00204

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

Federal regulations (42 CFR § 431.53) require each State to ensure that Medicaid beneficiaries have necessary transportation to and from medical providers and to describe the methods that the State will use to meet this requirement in its State plan. Federal regulations (42 CFR § 440.170) define transportation as expenses for transportation that the State deems necessary to secure medical examinations and treatment for Medicaid beneficiaries.

In the District of Columbia (the District), the Medical Assistance Administration within the Department of Health (the State agency) administers the Medicaid program. Attachment 3.1D of the District's Medicaid State plan authorizes emergency and non-emergency transportation (NET) to and from providers of medical services.

During our audit period, the State agency contracted directly with transportation providers for NET services. Within the District, NET service claims had come under increasing scrutiny and a number of providers were sanctioned for improper billing practices. Beginning in October 2007, the State agency contracted with a broker to coordinate transportation services with its providers. The State agency claims payment to its broker as an administrative expense.

After consulting with officials from the Office of Inspector General's Office of Investigations as well as District officials from the Office of Inspector General and the State agency, we focused our review on one provider, Epps Transportation Services, Inc. (Epps).

OBJECTIVE

Our objective was to determine whether the State agency's payments to Epps complied with Federal and District requirements.

SUMMARY OF FINDINGS

The State agency's payments to Epps generally did not comply with Federal and District requirements. Of the \$864,426 (\$609,968 Federal share) paid to Epps between January 1, 2004, and December 31, 2006, \$31,602 (\$22,121 Federal share) complied with Federal and District requirements. However, the State agency made payments that did not comply as follows:

- For \$109,986 (\$77,708 Federal share) the claims database gave no evidence that the beneficiaries had received corresponding medical examinations or treatments.
- For \$5,544 (\$3,881 Federal share) the payments duplicated NET service payments to other providers for transporting the beneficiaries to the same corresponding services on the same day and time.

For \$717,294 (\$506,258 Federal share) the payments may not have complied with Federal and District requirements for prior authorization or other documentation of services. Accordingly, we have set aside this amount for Centers for Medicare & Medicaid Services' (CMS) review.

The State agency did not have adequate controls to identify many of the questionable NET claims or to follow up when the Medicaid Management Information System (MMIS system) did identify questionable claims.

ACTIONS TAKEN BY THE STATE AGENCY

To address control weaknesses in its program, in September 2006 the State agency added an edit to its MMIS system that denied payment for claims that did not have a valid prior authorization number. In October 2007, the State agency contracted with a broker, Medical Transportation Management, Inc., to oversee NET services. The State agency claims payments to its broker as an administrative expense with a 50 percent Federal share. Medical Transportation Management, Inc. did not accept Epps as one of its providers. As of October 17, 2007, Epps discontinued providing NET services to District Medicaid beneficiaries.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$81,589 (Federal share) for claims that did not comply with Federal and State requirements,
- work with CMS to resolve the \$506,258 (Federal share) paid for services that were provided but may not otherwise have complied with Federal and State agency requirements, and
- strengthen State agency controls to prevent payments to more than one NET provider for the same service for the same beneficiary on the same service date.

STATE AGENCY COMMENTS

In comments on our draft report, the State Agency concurred with our recommendations and provided information on actions that it had already taken. The State Agency's comments are included as the Appendix to this report.

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INTRODUCTION

BACKGROUND

Medicaid Non-Emergency Transportation Services

Pursuant to Title XIX of the Social Security Act (the Act), 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.

Federal regulations (42 CFR § 431.53) require each State to ensure that Medicaid beneficiaries have necessary transportation to and from medical providers and to describe the methods that the State will use to meet this requirement in its State plan. Federal regulations (42 CFR § 440.170) define transportation as expenses for transportation that the State deems necessary to secure medical examinations and treatment for Medicaid beneficiaries.

Non-Emergency Transportation Services in the District of Columbia

In the District of Columbia (the District), the Medical Assistance Administration within the Department of Health (the State agency) administers the Medicaid program. Attachment 3.1D of the District's Medicaid State plan authorizes emergency and non-emergency transportation (NET) to and from providers of medical services.¹

During our audit period, the State agency contracted directly with transportation providers for NET services. Within the District, NET service claims had come under increasing scrutiny and a number of providers were sanctioned for improper billing practices. Beginning in October 2007, the State agency contracted with a broker to coordinate transportation services with its providers. The State agency claims payment to its broker as an administrative expense.

After consulting with officials from the Office of Inspector General's Office of Investigations as well as District officials from the Office of Inspector General and the State agency, we focused our review on one provider, Epps Transportation Services, Inc., (Epps).

¹Attachment 3.1D, as amended effective January 1, 2006, provides for "the means of transportation to and from providers of Medicaid covered services." The January 2006 Attachment amended the language and some of the requirements for transportation services; however, the provisions that covered our findings remain substantially the same.

Epps Transportation Services, Inc.

Epps was one of over 200 providers who contracted directly with the State agency to provide NET services. Epps provided NET services primarily to beneficiaries diagnosed with mild to severe retardation and attending day treatment programs.

Epps billed the State agency through Form CMS-1500 on a weekly basis for each beneficiary. The State agency reimbursed Epps between \$19.25 and \$33 per beneficiary for a roundtrip service within the District each day.² The fee covered van transportation from the beneficiary's residence to a day treatment center and back. During the period January 1, 2004, through December 31, 2006, Epps received \$864,426 (\$609,968 Federal share) for NET services.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency's payments to Epps complied with Federal and District requirements.

Scope

Our review covered \$864,426 (\$609,968 Federal share) in Medicaid payments to Epps for NET services billed for the period January 1, 2004, through December 31, 2006. Our objective did not require a review of the overall internal control structure of the District. Therefore, we limited our review of internal controls to the payment of NET claims.

We performed our fieldwork at the State agency in the District and at the Epps office and at two day treatment providers in the District.

Methodology

To accomplish our objective, we:

- reviewed Federal and District laws, regulations, and other requirements governing Medicaid reimbursement for NET services, including the State Medicaid Manual, the approved State plan, Epps' Medicaid provider agreement, and Departmental Appeals Board decisions;
- interviewed State agency officials to determine how NET services were provided and claimed;
- consulted with officials from the Office of Inspector General's Office of Investigations as well as officials from the District's Office of Inspector General and the State agency to determine the status of prior and on-going investigations of District NET providers;

²Services provided to beneficiaries residing outside the District were reimbursed on a per mile basis.

- reviewed NET reports issued by the District Office of Inspector General;
- compared a database of claims paid to Epps for NET services provided between January 1, 2004, and December 31, 2006, to a database of non-transportation medical services provided between January 1, 2004, and December 31, 2006;
- reviewed documentation supporting claims paid to Epps for NET services provided between January 1, 2004, and December 31, 2006, including visits to two day treatment providers, PSI Family Services, Inc. and the Art & Drama Therapy Institute, to determine whether:
 - beneficiaries for whom Epps claimed NET services had a corresponding medical service;
 - the State agency or its contractor paid Epps and another provider for the same service on the same date for the same Medicaid beneficiary;
 - Epps' claim included a prior authorization number;
 - Epps' claim was supported by a daily transportation log; and
- met with Epps representatives to review documentation and periodically communicated via telephone with these representatives concerning the status of the review.

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 audit 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 objective.

FINDINGS AND RECOMMENDATIONS

The State agency's payments to Epps generally did not comply with Federal and District requirements. Of the \$864,426 (\$609,968 Federal share) paid to Epps between January 1, 2004, and December 31, 2006, \$31,602 (\$22,121 Federal share) complied with Federal and District requirements. However, the State agency made the following questionable payments:

- For \$109,986 (\$77,708 Federal share) the claims database gave no evidence that the beneficiaries had received corresponding medical examinations or treatments.
- For \$5,544 (\$3,881 Federal share) the payments duplicated NET service payments to other providers for transporting the beneficiaries to the same corresponding services on the same day and time.

For \$717,294 (\$506,258 Federal share) the payments may not have complied with Federal and District requirements for prior authorization or other documentation of services. Accordingly, we have set aside this amount for CMS's review.

The State agency did not have adequate controls to identify many of the questionable NET claims or to follow up when the Medicaid Management Information System (MMIS system) did identify questionable claims.

FEDERAL AND DISTRICT REQUIREMENTS

Federal Requirements

Federal regulations (42 CFR § 431.53) require each State to ensure that Medicaid beneficiaries have necessary transportation to and from medical providers and to describe the methods that the State will use to meet this requirement in its State plan. Federal regulations (42 CFR § 440.170) define transportation as expenses for transportation that the State agency deems necessary to secure medical examinations and treatment for Medicaid beneficiaries.

Section 1902(a)(27) of the Act requires that providers enter into agreements with the State agency to provide services under the State plan. Providers must agree "(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 . . ."

Section 2500.2(A) of "The State Medicaid Manual," CMS Pub. No. 45 (the Manual) instructs 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."

Office of Management and Budget (OMB) Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," Att. A § C.1 requires that, to be allowable, costs must be authorized or not prohibited under State or local laws or regulations and must be documented.³

State Plan and District Requirements

Attachment 3.1D of the State plan provides for NET services "with prior approval from the State agency, for those persons whose medical condition is such that even taxicab transportation is inappropriate . . ." Section 995 of the District's Code of Municipal Regulations required that each NET provider:

- maintain records that fully disclose the nature and extent of the services rendered;

³In this report, citations to OMB Circular A-87 are to the August 29, 1997 version. On May 10, 2004, OMB revised the circular, which generally became effective on the May 10, 2004 publication date (70 Fed. Reg. 51919 (Aug. 31, 2005)). However, the requirements cited remained unchanged.

- use a daily transportation log, approved by the State agency to record all NET services rendered to District Medicaid beneficiaries; and
- maintain the log for a period of 6 years or until all audits are completed, whichever is longer.

NO CORRESPONDING MEDICAL APPOINTMENT OR TREATMENT

The State agency paid \$109,986 (\$77,708 Federal share) for 3,268 NET services to beneficiaries who did not have a corresponding medical appointment or treatment.

Federal regulations and Attachment 3.1D of the State plan assures transportation for Medicaid beneficiaries “to and from providers of medical services.” Epps generally transported beneficiaries from Monday through Friday, to programs at 12 day treatment centers. The treatment centers billed Medicaid a daily rate for their services; however, they did not claim services for these beneficiaries on the dates corresponding to these claimed NET services. Officials at two of the day treatment centers provided documentation that confirmed the Medicaid beneficiaries had not attended treatment programs on the days Epps billed for these NET services. In some instances, the facility was closed on the dates in question.

Epps billed for holidays and other days on which these beneficiaries did not travel to their usual destinations. As a result, the State agency paid \$109,986 (\$77,708 Federal share) for 3,268 NET services to beneficiaries who did not receive the corresponding transportation to medical appointments or treatments.

TWO PROVIDERS PAID FOR THE SAME SERVICE

The State agency paid \$5,544 (\$3,881 Federal share) to both Epps and another transportation provider for the same 168 NET services.

Federal requirements allow transportation that the State agency deems necessary to secure medical examinations and treatment for Medicaid beneficiaries; however, providers must keep records that disclose the extent of the services provided. The State agency’s database of paid claims showed that Epps and another provider both received payment for transporting the same three Medicaid beneficiaries to and from the same day treatment facility on the same dates. However, Epps could not document that it had provided these services. A review of day treatment facility records showed that Epps did not provide NET services for the beneficiaries on the dates in question. Rather, the second provider transported the beneficiaries on those days.

The State agency’s MMIS system was programmed to pay all claims, but to report questionable claims such as these. We found no evidence that the State agency followed up on the questioned claims or made any adjustment to the payments to EPPS for the 168 services that we identified. As a result, the State agency paid Epps \$5,544 (\$3,881 Federal share) for services provided by another carrier.

DOCUMENTATION OF PRIOR APPROVAL AND TRANSPORTATION

We are setting aside for CMS adjudication \$717,295 (\$506,258 Federal share) that the State agency paid Epps for services provided that may not have complied with Federal and District requirements for documentation of prior authorization and delivery of NET services.

No Prior Authorization on Billing Form

The State agency paid claims totaling \$655,986 (\$462,396 Federal share) for 19,144 trips for which Epps did not provide documentation to support that it received prior authorization for NET services.

Attachment 3.1D of the State plan requires prior approval from the State agency for NET services that involve van transportation. For prior approval from the State agency, the medical provider must contact the State agency and provide information about the beneficiary's condition and the transportation required. The State agency then issues a prior authorization number, which the medical provider supplies to the transportation company for submission on the billing form. However, Epps' billing forms for these claims did not have prior authorization numbers.

Prior to September 2006, the State agency's MMIS system had no edits in place to deny a claim that lacked a proper authorization number. These control weaknesses at the State agency may have allowed NET providers to bill without obtaining prior approval. As a result, Epps billed NET services totaling \$655,986 for which it had not obtained prior authorization numbers.

No Daily Transportation Logs

The State agency paid claims totaling \$61,308 (\$43,862 Federal share) for 1,851 trips for which Epps did not maintain daily transportation logs.⁴

Section 995 of the District's Code of Municipal Regulations specifies that NET providers must maintain daily transportation logs to document services provided. Epps did not supply daily transportation logs to support its claims. As a result, the State agency paid \$61,308 (\$43,862 Federal share) for claims that were not properly documented as required.

ACTIONS TAKEN BY THE STATE AGENCY

To address control weaknesses in its program, in September 2006 the State agency added an edit to its MMIS system that denied payment for claims that did not have a valid prior authorization number. In October 2007, the State agency contracted with a broker, Medical Transportation Management, Inc., to oversee NET services. The State agency claims payments to its broker as an administrative expense with a 50 percent Federal share. Medical Transportation Management, Inc., did not accept Epps as one of its providers. As of October 17, 2007, Epps discontinued providing NET services to District Medicaid beneficiaries.

⁴These claims did have prior authorization numbers.

RECOMMENDATIONS

We recommend that the State agency:

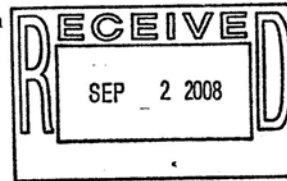
- refund \$81,589 (Federal share) for claims that did not comply with Federal and State requirements,
- work with CMS to resolve the \$506,258 (Federal share) paid for services that were provided but may not otherwise have complied with Federal and State agency requirements, and
- strengthen State agency controls to prevent payments to more than one NET provider for the same service for the same beneficiary on the same service date.

STATE AGENCY COMMENTS

In comments on our draft report, the State Agency concurred with our recommendations and provided information on actions that it had already taken. The State Agency's comments are included as the Appendix to this report.

APPENDIX

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health
Medical Assistance Administration



Office of the Senior Deputy Director

August 28, 2008

Mr. Stephen Virbitsky
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General
Office of Audit Services
150 S. Independence Mall West
Suite 316
Philadelphia, PA 19106-3499

Dear Mr. Virbitsky:

The District of Columbia Medical Assistance Administration is in receipt of your letter and attached draft report entitled "Review of Non-Emergency Transportation Services (NET) provided by Epps Transportation Services, Inc., from January 1, 2004, Through December 31, 2006."

It is understood that this report is subject to further review and revision, however, upon our internal review, we concur with the report's recommendations to:

- Refund \$81, 589 (Federal Share) for claims payments to Epps;
- Work with CMS to resolve the \$506,258 (Federal share) paid for services that were provided; and
- Strengthen State agency controls to prevent payments to more than one NET provider for the same service for the same beneficiary on the same service date.

To address control weaknesses in our program, in September 2006, the District added an edit to our MMIS system that denies payment for claims that do not have a valid prior authorization number. In October 2007, the District contracted with a broker, Medical Transportation Management, Inc., (MTM) to oversee NET services. MTM did not accept Epps as one of its providers. As of October 17, 2007, Epps discontinued providing NET services to District Medicaid beneficiaries.

The final issue identified in the report pertains to compliance with Federal and District requirements for prior authorization or other documentation of services. Accordingly, we will work with the Centers for Medicare and Medicaid Services to resolve said issue.

Stephen Virbitsky - Epps Transportation Services, Inc
August 28, 2008
Page 2

We appreciate privilege of collaboration with you and hope that it will continue into the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert T. Maruca", with a long horizontal flourish extending to the right.

Robert T. Maruca
Senior Deputy Director