New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor

Department of Human Services
Division of Medical Assistance
and Health Services
Medical Transportation Services

July 1, 2005 to September 30, 2007

Richard L. Fair
State Auditor
The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Human Services, Division of Medical Assistance and Health Services, Medical Transportation Services for the period of July 1, 2005 to September 30, 2007. If you would like a personal briefing, please call me at (609) 292-3700.

[Signature]

Stephen M. Eells  
Assistant State Auditor  
June 30, 2008
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Department of Human Services  
Division of Medical Assistance and Health Services  
Medical Transportation Services

Scope

We have completed an audit of the Department of Human Services, Division of Medical Assistance and Health Services' (division) medical transportation services for the period July 1, 2005 to September 30, 2007. Our audit included financial activities accounted for in the General Fund.

The Department of Human Services administers the Medicaid program, which provides medical assistance to eligible low-income and disabled individuals. Expenditures are funded by the federal government at a 50 percent rate. Medical transportation, which is one of the services offered by Medicaid, provides various levels of transportation to enable Medicaid beneficiaries to receive medical services. These transportation services include: 1) mobility assistance vehicle (MAV) service; 2) livery service; 3) ambulance; and 4) bus passes. MAV services are provided by specialized vehicles for individuals "whose medical condition requires transportation from place to place for medical care and whose use of an alternate form of transportation ... might create a serious risk to life and health". Livery services, which are also known as lower mode services, are provided to individuals "whose medical condition requires transportation for medical care". Medical transportation services include livery service in Essex and Hudson counties; all other counties provide livery service and are reimbursed by the state.

Our audit scope included payments to MAV providers and the livery providers in Essex and Hudson counties. Annual payments for MAV services and those livery services were $48 million and $5 million, respectively.

Objectives

The objective of our audit was to determine the propriety of medical transportation claims by verifying that transportation providers submitted
accurate mileage claims, transported their clients to medical providers on the dates claimed, and complied with the requirements for prior authorization of services.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

**Methodology**

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also reviewed financial trends and interviewed agency personnel to obtain an understanding of the program and the internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were sorted and transactions were judgmentally selected for testing.

**Conclusions**

We determined that medical transportation claims were properly processed. However, we found some post-payment review procedures utilized by the division for medical transportation services need strengthening. The division's reviews of transportation providers have identified overbillings of $600,000, but division management has yet to take collection action against the providers.

**Background**

Medical transportation providers must submit their claims for payment to Unisys, which serves as the Medicaid fiscal agent. Almost all of the claims are submitted electronically. Edits performed by Unisys are designed to ensure that claims are filled
out properly and that all required information has been submitted. In addition, there are some program-specific edits that ensure compliance with medical transportation program requirements. In order to have their claims approved for payment, MAV providers must have a Prior Authorization (PA) that has been approved by Unisys for each beneficiary. Claims without a PA can only be processed if the provider indicates on the claim form that the origin or destination of the trip was a long-term care facility. The providers do not have to indicate the actual origin and destination on the claim forms; codes are used instead. The actual locations are indicated on transportation certifications, which are completed by the providers but are not submitted to Unisys. The providers maintain the transportation certifications at their place of business.

The division is planning to outsource the provision of medical transportation services. It is looking for a vendor to serve as a transportation broker for the statewide delivery of non-emergency medical transportation services. Although the division will relinquish its administrative functions, it will retain the ultimate responsibility for the proper operation of the new medical transportation program. Appropriate vendor assurances will need to be written into the contract and the division will need to monitor the broker’s compliance with these contract terms. A Request for Proposal (RFP) was issued in August 2007 but was subsequently withdrawn. A new RFP has been issued and the bid opening was scheduled for June 18, 2008.
Post Payment Review

Various units within the Department of Human Services and the Division of Medical Assistance and Health Services perform limited post-payment reviews of transportation claims and the supporting documentation maintained by transportation providers. These reviews usually result from statistical analysis of claims or from complaints suggesting that there may be a problem with a particular provider. Our review of sample transportation claims revealed exceptions that suggest more frequent reviews and more aggressive follow up of audit findings are needed.

**Required Transportation Certification Information**

Transportation certifications are not submitted with the Medicaid claim, but must be completed and maintained by the transportation provider pending possible post-payment review. The Transportation Services Manual (NJAC 10:50-1.7) and the Fiscal Agent Billing Supplement set forth the information that must be included on the transportation certifications. Omission of any of this required information from the transportation certifications would make the payments subject to recoupment. We reviewed 250 transportation certifications completed by five sampled providers and found that each document failed to include at least one category of required information. Some items such as medical provider phone number (235 exceptions) and medical provider Medicaid number (229 exceptions) were missing from most documents. Other categories of missing information included beneficiary condition (68 exceptions), medical provider address (60 exceptions), medical provider representative name (59 exceptions), beneficiary address (39 exceptions), and medical provider name (36 exceptions).
The transportation providers are allowed to design their own certifications, as long as they include all required information. Because providers do not have to submit the transportation certifications with their claims and because the division does not review the transportation certifications on a regular basis, the providers’ non-compliance regarding required information has not been detected. The lack of information on the transportation certifications makes it difficult or impossible to verify that the trip occurred. As a result of the missing information, all the payments to transportation providers in our sample would be subject to recoupment.

**Recommendation**

We recommend that the division review a small sample of transportation certifications from all providers on a regular basis to ensure that all required information is supplied. The division should remind providers of the information requirements and if the information is still not provided, future payments should be withheld until compliance is demonstrated.

**Medical Visits**

In order to be reimbursed for their services, transportation providers must transport a Medicaid fee-for-service beneficiary to an eligible medical care provider to receive a medical service covered by Medicaid. We tested the destinations noted on one month’s transportation certifications for one provider and found that 200 of 227 destinations were not medical care providers. The total value of these claim exceptions was $9,895. During fiscal years 2006 and 2007 this transportation provider was paid $470,000 in MAV claims. If the sample’s error rate was applied to this total, the provider was paid $400,000 for ineligible trips. After being informed of these ineligible claims by the division, the provider’s fiscal year 2008 MAV claim payments dropped to $65,000 as of May 2008.
We subsequently tested a sample of one month's transportation claims from four other providers to confirm that a visit to the medical provider noted on the transportation certification had occurred. Our tests did not find any ineligible claims from these transportation providers. Despite the result of this additional sample test, a control weakness has been identified. The names of the medical providers are not included on the transportation claims and, as stated previously, the division does not review the transportation certifications on a regular basis. As a result, it is possible for providers to submit claims and receive reimbursement for ineligible trips.

**Recommendation**

We recommend that the division review a small sample of transportation certifications on a regular basis and confirm that eligible medical visits occurred. In addition, the division should systematically compare transportation claims to medical claims on a quarterly basis to provide indications of questionable claims. The division should also investigate the transportation provider identified with a high percentage of exceptions and recover all overpayments.

**Livery Providers’ Multiple Load Billings**

Livery providers often transport more than one beneficiary in the same vehicle at the same time; this is known as a multiple load. In these circumstances, the livery providers are allowed to bill a standard load fee for each passenger they transport and a mileage fee only for that passenger who is the farthest away from the destination. Payment for cumulative mileage, which is the mileage that accrues in multiple-load situations, is not permitted. Our tests indicated that all five livery providers tested for one sample month had submitted mileage claims for all of the passengers on their multiple-load trips. We reviewed a sample of 641 passenger trips from transportation certifications and daily log sheets and found 84
exceptions totaling 1,097 miles where the livery provider billed mileage for each of the passengers on a multiple load trip. This resulted in over-payments of $3,291. The livery providers are able to bill for and receive payment for multiple-load mileage because of the inadequate review of the transportation certifications.

**Recommendation**

We recommend that the division investigate the providers that we identified and recover all overpayments. In addition, the division should make clear to all livery providers that billing for multiple-load mileage is not permitted.

**Follow-up Reviews**

The division’s review of one livery provider that was completed in July 2007 identified questioned costs of $560,000 and its review of another livery provider which was completed in November 2006 identified questioned costs of $42,000. However, division management has yet to take collection action against these providers.

In addition, the division’s Bureau of Program Integrity (BPI) completed a review of eight livery providers in March 2005 which found numerous program violations, including expired automobile insurance policies, drivers with suspended licenses, incomplete transportation certifications, overbilled mileage, and beneficiaries not transported to a medical facility. The reports’ recommendations stated that provider operations should cease until appropriate insurance had been obtained, unlicensed drivers should stop transporting passengers, overpaid claims should be recouped, and certain providers should be placed on pre-payment monitoring. However, all eight cases were put on hold and no action was taken on these recommendations.

As mentioned previously in this report, we also identified questionable billing practices by a Mobility Assistance Vehicle provider and the
case was turned over to BPI in February 2007. Our review had indicated that the provider had violated several program regulations, such as transportation to non-medical providers and improperly coding origin/destination codes to avoid the requirement for prior authorizations. We had found that recipients were not transported by that provider to an appropriate medical care provider for 88 percent of the 227 claims we tested and no prior authorizations were obtained for 100 percent of the 27 recipients tested. As of May 2008, BPI has not completed its review of this provider and has not withheld payments during the review process.

The integrity of medical transportation payments is weakened by an ineffective recovery process. Improper payments to transportation providers exceeding $600,000 have not been collected, while other questionable payments that we identified have not yet been addressed by the division.

**Recommendations**

We recommend that the division collect the questioned costs previously identified and complete the review of the MAV provider in a timely manner.
June 26, 2008

Stephen M. Eells  
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Trenton, NJ 08625-0067

Dear Mr. Eells:

This is in response to your letter of June 10, 2008 to Commissioner Velez concerning the Office of Legislative Services (OLS) draft audit report entitled “Department of Human Services, Division of Medical Assistance and Health Services, “Medical Transportation Services.” Your letter provides an opportunity to comment on the draft audit report.

The draft audit report concludes that medical transportation claims were properly processed. However, the auditors found some post-payment review procedures utilized by the division for medical transportation services need strengthening. The draft report goes on to state that reviews of transportation providers have identified over-billings of $600,000, but division management has yet to take collection action against the providers.

The Division agrees to conduct more post-payment reviews and is in the process of contracting with a broker to provide future coordination and oversight of medical transportation services. The Division does not concur that the $600,000 amount identified is recoverable at this time.

The Division has taken action to preclude prospective overpayments through provider notification and education, post payment claims analysis, reviews of provider operations, and, in the case of livery providers, had an affirmative statement signed by each provider attesting to their knowledge of and assuring compliance with the Division’s procedures. The Division intends to coordinate overpayment recoveries from transportation providers to assure collection of the amounts owed while maintaining provider operations and access to high quality service for the Medicaid beneficiaries.
The draft audit report contains four findings and four recommendations. These findings, recommendations and the Division's responses are provided below:

**FINDING 1: The division should ensure that providers include all required information on transportation certifications.**

Transportation certifications are not submitted with the Medicaid claim, but must be completed and maintained by the transportation provider pending possible post-payment review. The Transportation Services Manual (NJAC 10:50-1.7) and the Fiscal Agent Billing Supplement set forth the information that must be included on the transportation certifications. Omission of any of this required information from the transportation certifications would make the payments subject to recoupment. We reviewed 250 transportation certifications completed by five sampled providers and found that each document failed to include at least one category of required information. Some items such as medical provider phone number (235 exceptions) and medical provider Medicaid number (229 exceptions) were missing from most documents. Other categories of missing information included beneficiary condition (68 exceptions), medical provider address (60 exceptions), medical provider representative name (59 exceptions), beneficiary address (39 exceptions), and medical provider name (36 exceptions).

The transportation providers are allowed to design their own certifications, as long as they include all required information. Because providers do not have to submit the transportation certifications with their claims and because the division does not review the transportation certifications on a regular basis, the providers' non-compliance regarding required information has not been detected. The lack of information on the transportation certifications makes it difficult or impossible to verify that the trip occurred. As a result of the missing information, all the payments to transportation providers in our sample would be subject to recoupment.

**RECOMMENDATION:**

The division should review a small sample of transportation certifications from all providers on a regular basis to ensure that all required information is supplied. The division should remind providers of the information requirements and if the information is still not provided, future payments should be withheld until compliance is demonstrated.

**DMAHS RESPONSE:**

The Division will audit a random sample of transportation certifications, on a regular basis to assure completeness. The Division will work toward improving provider
compliance by developing and distributing a newsletter to all transportation providers restating the appropriate procedure for completion and maintenance of transportation certificates. In the meantime, appropriate revisions will be made to the regulations to delete from the requirements those data elements that are not essential (e.g., client’s telephone number or client’s address) since this demographic information is available in the client’s eligibility file. Further, the Division has issued an RFP for a broker to manage all non-emergency transportation services; the RFP responses are in and the Evaluation team will review the responses on Friday, June 27, 2008.

**FINDING 2: The division should ensure that trips were for eligible medical services.**

In order to be reimbursed for their services, transportation providers must transport a Medicaid fee-for-service beneficiary to an eligible medical care provider to receive a medical service covered by Medicaid. We tested the destinations noted on one month’s transportation certifications for one provider and found that 200 of 227 destinations were not medical care providers. The total value of these claim exceptions was $9,895. During fiscal years 2006 and 2007 this transportation provider was paid $470,000 in MAV claims. If the sample’s error rate was applied to this total, the provider was paid $400,000 for ineligible trips. After being informed of these ineligible claims by the division, the provider’s fiscal year 2008 MAV claim payments dropped to $65,000 as of May 2008.

We subsequently tested a sample of one month’s transportation claims from four other providers to confirm that a visit to the medical provider noted on the transportation certification had occurred. Our tests did not find any ineligible claims from these transportation providers. Despite the result of this additional sample test, a control weakness has been identified. The names of the medical providers are not included on the transportation claims and, as stated previously, the division does not review the transportation certifications on a regular basis. As a result, it is possible for providers to submit claims and receive reimbursement for ineligible trips.

**RECOMMENDATION:**

The division should review a small sample of transportation certifications on a regular basis and confirm that eligible medical visits occurred. In addition, the division should systematically compare transportation claims to medical claims on a quarterly basis to provide indications of questionable claims. The division should also investigate the transportation provider identified with a high percentage of exceptions and recover all overpayments.

**DMAHS RESPONSE:**
As above, the Division will audit a random sample of transportation certifications on a regular basis to compare them with claims for medical office visits and other outpatient services, and document and follow up any inconsistencies. It must be noted, however, that the absence of a claim in the Unisys system does not imply the absence of a medical service. In fact, the client may be enrolled in one of the five (5) Managed Care Organizations (MCOs) or have Medicare or some other insurer as their primary payer. Auditors must therefore research encounter data from the MCOs, Medicare billings and/or visit the provider of service to review the client’s medical record.

The Division has an open file and has been investigating the transportation provider identified with a high percentage of exceptions. Recovery of all overpayments, as appropriate, will be made; however, specific case information cannot be disclosed at this time as this is an open investigation. Since the Division will investigate the provider implicated, the inference that a $400,000 overpayment occurred will be determined with accuracy.

**FINDING 3: The division should ensure that livery providers bill properly for multiple loads.**

Livery providers often transport more than one beneficiary in the same vehicle at the same time; this is known as a multiple load. In these circumstances, the livery providers are allowed to bill a standard load fee for each passenger they transport and a mileage fee only for that passenger who is the farthest away from the destination. Payment for cumulative mileage, which is the mileage that accrues in multiple-load situations, is not permitted. Our tests indicated that all five livery providers tested for one sample month had submitted mileage claims for all of the passengers on their multiple-load trips. We reviewed a sample of 641 passenger trips from transportation certifications and daily log sheets and found 84 exceptions totaling 1,097 miles where the livery provider billed mileage for each of the passengers on a multiple load trip. This resulted in overpayments of $3,291. The livery providers are able to bill for and receive payment for multiple-load mileage because of the inadequate review of the transportation certifications.

**RECOMMENDATION:**

The division should investigate the providers that were identified and recover all overpayments. In addition, the division should make clear to all livery providers that billing for multiple-load mileage is not permitted.

**DMAHS RESPONSE:**

The Division will investigate all transportation providers who were identified and recover all overpayments, as appropriate. The Division will coordinate payment recoveries with
the transportation providers to assure collection of the amounts owed while assuring the maintenance of provider operations and access to high quality service for the Medicaid beneficiaries. As above mentioned, in the newsletter to be developed and distributed by the Division to all transportation providers, reference to the regulations governing multiple load billings will be included. In the meantime, Division staff will be assigned to do a retrospective audit of a random sample of claims for livery services with possible multiple loads.

FINDING 4: The division should improve its procedures for follow-up reviews of transportation providers.

The division’s review of one livery provider that was completed in July 2007 identified questioned costs of $560,000 and its review of another livery provider which was completed in November 2006 identified questioned costs of $42,000. However, division management has yet to take collection action against these providers.

In addition, the division’s Bureau of Program Integrity (BPI) completed a review of eight livery providers in March 2005 which found numerous program violations, including expired automobile insurance policies, drivers with suspended licenses, incomplete transportation certifications, overbilled mileage, and beneficiaries not transported to a medical facility. The reports’ recommendations stated that provider operations should cease until appropriate insurance had been obtained, unlicensed drivers should stop transporting passengers, overpaid claims should be recouped, and certain providers should be placed on pre-payment monitoring. However, all eight cases were put on hold and no action was taken on these recommendations.

As mentioned previously in this report, we also identified questionable billing practices by a Mobility Assistance Vehicle provider and the case was turned over to BPI in February 2007. Our review had indicated that the provider had violated several program regulations, such as transportation to non-medical providers and improperly coding origin/destination codes to avoid the requirement for prior authorizations. We had found that recipients were not transported by that provider to an appropriate medical care provider for 88 percent of the 227 claims we tested and no prior authorizations were obtained for 100 percent of the 27 recipients tested. As of May 2008, BPI has not completed its review of this provider and has not withheld payments during the review process.

The integrity of medical transportation payments is weakened by an ineffective recovery process. Improper payments to transportation providers exceeding $600,000 have not been collected, while other questionable payments that we identified have not yet been addressed by the division.

RECOMMENDATION:
The division should collect the questioned costs previously identified and complete the review of the MAV provider in a timely manner.

DMAHS RESPONSE:

In order to make a recovery under Medicaid Program Integrity regulations, there must be sufficient evidence, case documentation, and legal authority. Questionable costs are not sufficient grounds for recovery.

The Division has taken action to preclude prospective overpayments through provider notification and education, post payment claims analysis, reviews of provider operations, and, in the case of livery providers, had an affirmative statement signed by each provider attesting to their knowledge of and assuring compliance with the Division’s procedures. The Division intends to coordinate overpayment recoveries from transportation providers to assure collection of the amounts owed while maintaining provider operations and access to high quality service for the Medicaid beneficiaries.

The opportunity to review and comment on this draft report is appreciated. If you have any questions or require additional information, please contact me or David Lowenthal at (609) 588-7933.

Sincerely,

John R. Guhl
Director

JRG:L

C: Jennifer Velez
   David Lowenthal