

# Community Transportation Programs: A Proven Model of Efficient Human Service Agency Transportation

## A Data Driven Analysis

Community Transportation is a network of **81 county or regional transportation systems** established by local governments and non-profit agencies to coordinate the delivery of human services and public transportation in both urban and rural areas. The program effectively coordinates the needs of clients participating in as many as **62 separate programs funded by Federal, state, and local governments** to meet various health and human service needs.

North Carolina developed this innovative model in the late-1970s and has been building transportation infrastructure within this program on a continuous basis since this time. This service delivery model, through local, yet centralized consolidation of administrative, maintenance, and capital functions, has enabled state and local governments to deliver cost effective transportation for all client needs, including NEMT, for more than 40 years.

*Existing Community Transportation Programs serve all **100** counties in North Carolina. Annual expenditures total **\$92.5** million in FY 2014 in administrative, operations, and maintenance costs. **Sixty-four (64) local governments and 17 nonprofit organizations** provide these services.\**

\* North Carolina Department of Transportation.



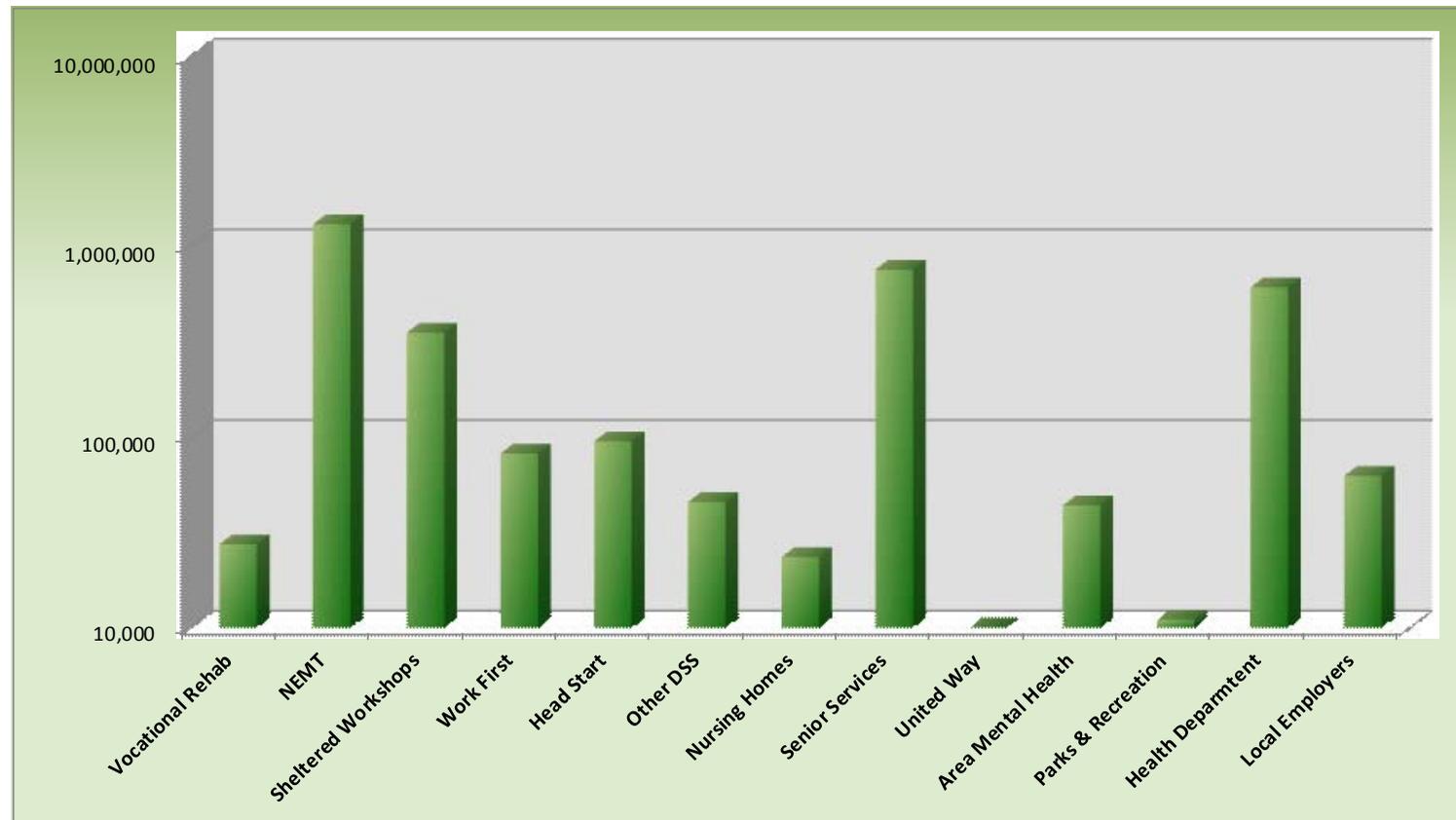
*North Carolina has been recognized by the Federal government for its innovative and cost effective approach to coordination of human services transportation and public transportation, becoming the first winner of the "United We Ride" Awards for state governments.*

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## Who Uses Community Transportation in North Carolina?

### Community Transportation by the Numbers\*

- 81** Community Transportation Programs
- 3** Primary modes of service
- 6.60** Million passenger trips during FY 2014
- 2.90** Million passenger trips from 13 different sponsors
- 1.39** Million NEMT trips during FY 2014
- 86.0** Percent of NEMT trips provided in demand response mode
- 10** Number of States where NEMT is less than 1% of Medicaid outlays (none use a statewide NEMT broker, including North Carolina)



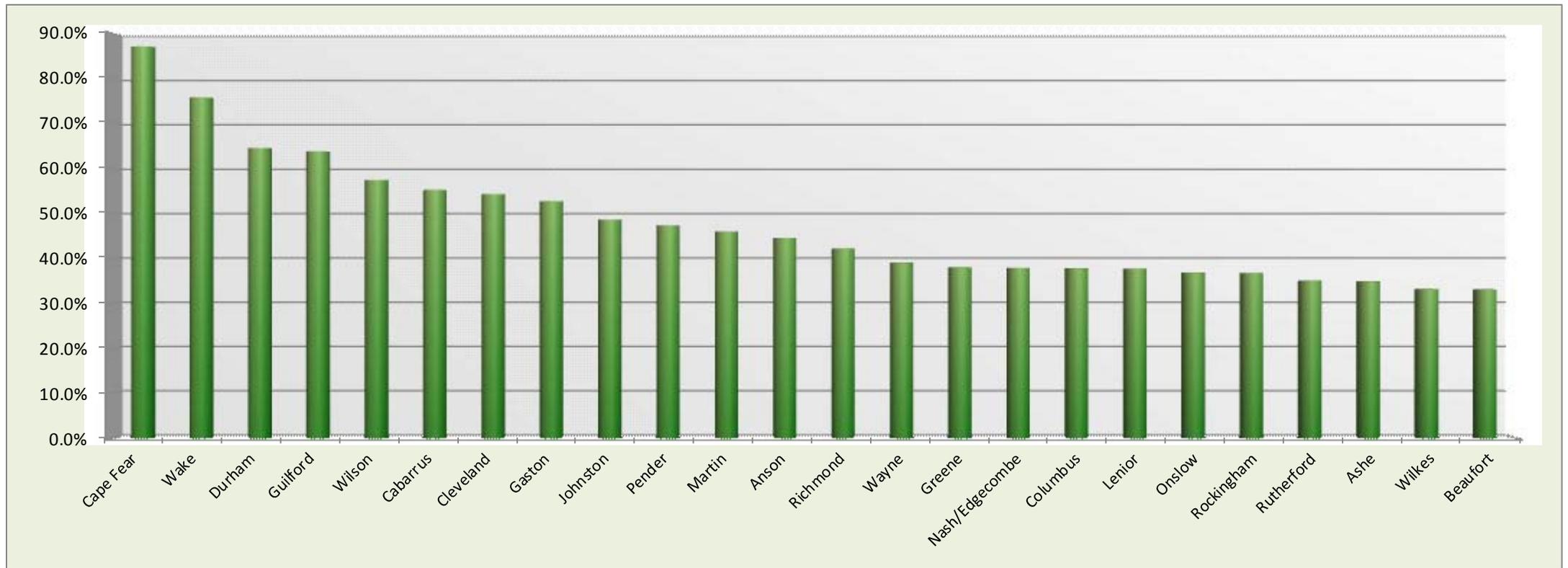
\*An Overview of North Carolina's Community Transportation System: An Examination of the Effectiveness of the Organizational Model in Today's NEMT Brokerage Environment (2015).

Community transportation providers throughout the State have forged contractual relationships with a wide range of public and nonprofit human service agencies. **NEMT is the largest contractual user of community transportation services, with more than 1.3 million trips per year.** NEMT has been an important part of the fabric of most community transportation systems. Contracts with agencies purchasing services for seniors is the second largest consumer group (758,385 trips), followed by local health departments (610,344) and vocational/sheltered workshops (353,390 trips).

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## NEMT and Community Transportation

North Carolina Community Transportation Systems with Greater Than 33 Percent NEMT Ridership



Statewide, Medicaid represents **21 percent** of all Community Transportation Program ridership, but consumes almost 37 percent of all vehicle miles due to longer trip distances in the NEMT program.

By coordinating NEMT trips with other rural public and human service agency program riders, Community Transportation achieves efficiencies estimated at **5 percent**, thereby providing savings to the Federal, state, and local government sponsors.\*

Seventy-five (75) of the State's Community Transportation Programs provide NEMT; for some systems, particularly in urban areas, NEMT ridership represents a substantial portion of total system ridership. For 24 programs, NEMT represents 33 percent or more of total system ridership. The Cape Fear Public Transportation Authority and Wake County both have over 75 percent NEMT ridership on their respective programs. NEMT is an integral part of Community Transportation; any change to the current method of service delivery would have adverse consequences on users at all levels of government.

\* Based on Noblis 2012 study.

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## NEMT and NEMT Brokerages

### Medicaid

Medicaid originated in 1965 with passage of Title XIX of the Social Security Act. Undertaken as a funding partnership between the Federal government and the states, Medicaid is a program designed to provide medical assistance to needy persons. Medicaid is the largest source of funding for medical and health-related services for America's poorest people.

### Non-Emergency Medical Transportation (NEMT)

Medicaid requires each state to assure that NEMT is provided so that Medicaid clients have access to medically necessary services. A state must ensure NEMT is:

- Available in all political subdivisions of the State;
- Provided with reasonable promptness to all eligible individuals;
- Furnished in the same amount, duration, and scope to all individuals in a group;
- Provided in a manner consistent with the best interest of the recipient; and
- Available to eligible recipients from a qualified provider of their choice.

### Medicaid Quick Facts\*

<b>\$438.2</b>	<b>Billion</b> in estimated FY 2013 outlays for Medicaid
<b>\$11.9</b>	<b>Billion</b> in estimated FY 2013 outlays for Medicaid in North Carolina
<b>\$2.57</b>	<b>Billion</b> in estimated FY 2013 outlays for NEMT in the United States (does not include all states)
<b>\$54.1</b>	<b>Million</b> in estimated FY 2013 outlays for NEMT in North Carolina
<b>\$36.9</b>	<b>Million</b> in estimated FY 2013 outlays for NEMT provided by Community Transportation Programs in North Carolina
<b>0.07%</b>	Estimated percentage of total NEMT expenditures in the U.S. to total Medicaid expenditures (less than 1 percent!)

\*Centers for Medicare and Medicaid, Kaiser Family Foundation, NC Department of Health and Human Services, TCRP Project B-44 (used with permission), and the North Carolina Public Transportation Association.

### What is an NEMT Broker?

NEMT brokers perform various “gatekeeping” functions on behalf of a state Medicaid agency ranging from NEMT eligibility determination, authorization of individual trips, assigning trips to local NEMT service providers, and processing provider requests for payment.

### Are Brokers Used by Other States?

Yes. NEMT brokerages are used in other states. Different types and models are used; one major study classified brokerages as follows:\*

- Statewide Brokerage Model** – DE, ID, IA, MS, MO, NE, NV, NJ, OK, UT, VA, WV, and WI
- Managed Care Model** – AZ, FL, HI, KS, NM, OR, and TN
- Regional Brokerage Model** – AR, GA, KY, ME, MA, SC, TX, VT, WA
- Mixed Models:** CA, CO, DC, NH, NY, PA

\*TCRP Research Results Digest 109 (2014) and TCRP Project B-44 (used with permission).

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## NEMT Brokerages and Community Transportation in North Carolina

### Who Performs the Brokerage Function?

The primary entities performing brokerage functions are private, for-profit organizations. In some notable cases (Kentucky and Vermont), public transportation manages the NEMT brokerage.

### Brokerages are Used in Many States, Why Not North Carolina?

**Other states lack the coordination infrastructure found in North Carolina;** the need to provide NEMT on a statewide basis dictates a need to find service providers in these unserved areas. Additionally, the Deficit Reduction Act of 2005 removed some barriers to establishing privately managed brokerages, prompting states to migrate to this model.

### Brokerages are Touted as a New, More Efficient Service Delivery Model

**Brokerages are not new** at all; this service delivery model was developed and promoted by the researchers at the University of Tennessee in the 1970s. The blue-ribbon committee that established the North Carolina coordination model considered the brokerage model almost 40 years ago, but rejected this concept in favor of the community transportation model. Brokerages depend on a steady, statewide supply of transportation service providers; the committee, after exhaustive study, found North Carolina lacked this supply of providers, particularly in rural areas. **This conclusion remains valid today.**

### Who Now Performs the Functions of a Broker?

An NEMT brokerage will involve a wholesale re-assignment of responsibilities now vested with the individual Departments of Social Services and existing Community Transportation providers. However, **rather than achieving economies through transfers, the process actually creates duplication.** NEMT brokerages only perform NEMT services; community transportation programs will continue to provide these same services for all other communities of interest – the general public, seniors, and individuals with disabilities.

### Fee-for-Service vs. Brokerage

*Brokerages are promoted as a superior service delivery model to the existing community transportation program, which is described as a “fee-for-service” model.*

*However, a brokerage simply re-assigns existing responsibilities from a state and/or local organization to the broker. These in-house costs are now converted to a direct program cost in the form of **broker fees.***

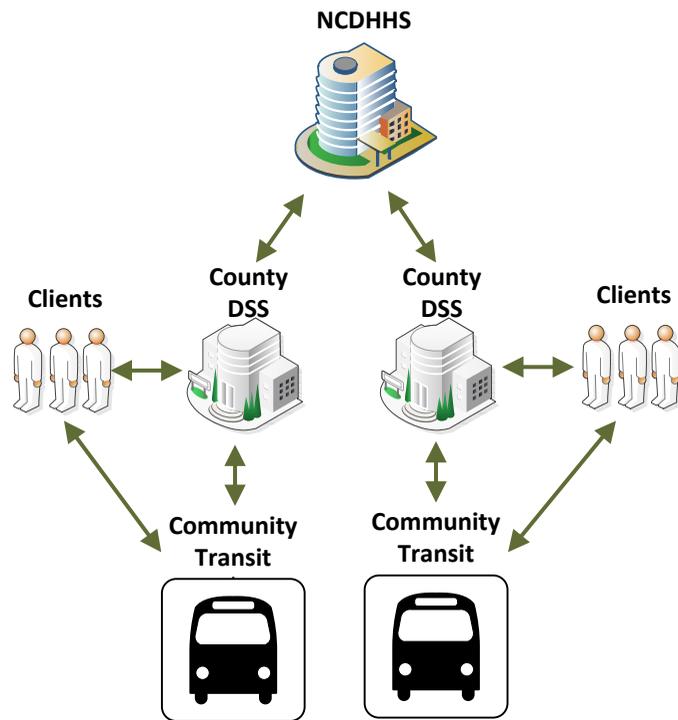
*The broker does not deliver transportation services – the broker enters into agreement with private companies on a fee-for-service basis. Thus, if an NEMT brokerage is introduced in North Carolina, hundreds of these contracts must be developed. A brokerage can only be successful if there an abundant supply of providers.*

*The existing network is operated by local governments and nonprofit organizations. An NEMT brokerage is managed by a **for-profit entity** with services delivered by **for-profit companies.** Thus, profit is introduced on two levels not currently exhibited in the existing community transportation program.*

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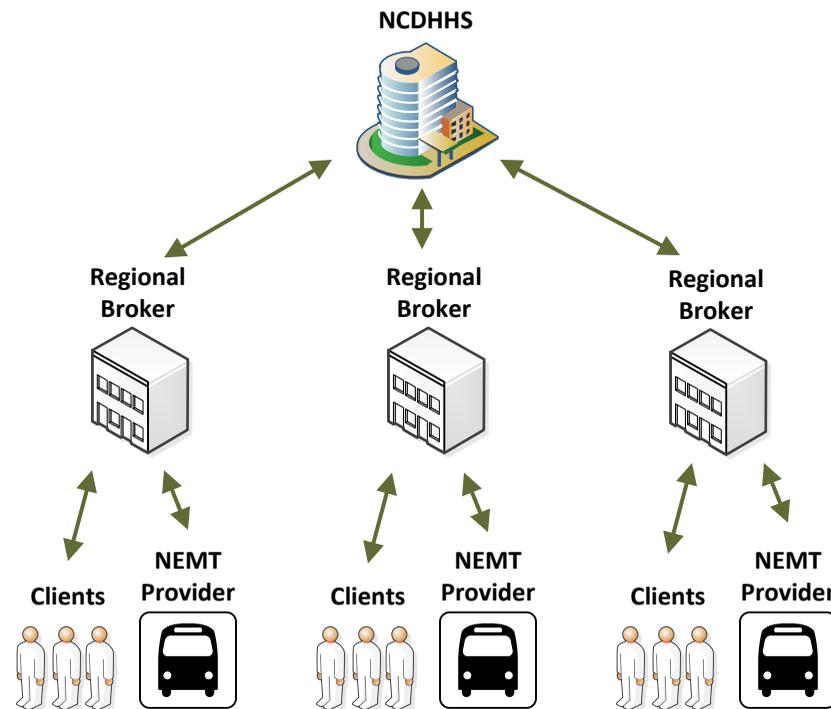
## Impact of the Establishment of an NEMT Brokerage: Organization

### Organization - Current



Clients deal with local DSS on eligibility and services. Once approved for transportation, either DSS or client will call the local community transportation system for service. Call center is located in the county jurisdiction of the NEMT clients.

### Organization – Regional Brokerage



Model depicted reflects a regional brokerage model as this is how NCDHHS structured a previous RFP for brokerage service. NEMT eligibility is determined by the State or the broker, depending on the contract terms. Brokers enter into fee-for-service agreements with multiple, for-profit providers and assign trips to these companies. The Medicaid client has no contact with the provider; late trips, missed trips, and other service complaint must go through the broker.

### Re-Assignment of Responsibilities

In a brokerage model, managerial and operational responsibilities are shifted from a local DSS and community transportation provider to a broker, essentially converting “hidden costs” to direct costs **paid by the State to the broker for its management fee.** This represents a new cost to NCDHHS.

### Change in Communication Channels

In a brokerage model, NEMT clients communicate with a broker at the regional, state, or **out-of-state level.** Clients do not directly deal with transportation providers and typically will not know what provider will be assigned to their trip.

### Pros and Cons

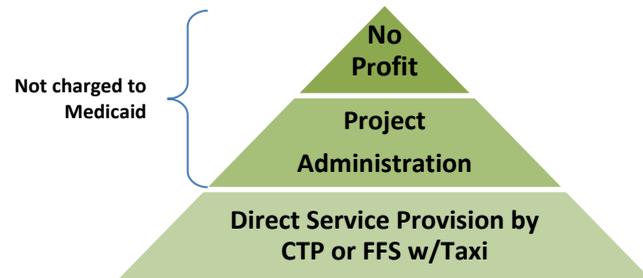
- |  |   |
|--|---|
| <input type="checkbox"/> Reduction in contact points for State                 | <input type="checkbox"/> Capacity issues at call center               |
| <input type="checkbox"/> Administrative simplicity/efficiency                  | <input type="checkbox"/> Lack of local geographic knowledge/landmarks |
| <input type="checkbox"/> Broker management fees less than CTP management costs | <input type="checkbox"/> No relationship between client and provider  |

# Community Transportation Programs: A Proven Model of Efficient Human Service Agency Transportation

## Impact of the Establishment of an NEMT Brokerage: New Costs for Medicaid

### New Organizational Costs for Medicaid

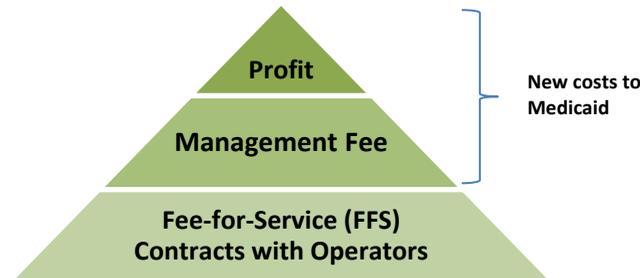
**Status Quo – NEMT Provided by Community Transportation Systems Under a Fee-for-Service Agreement**



In this arrangement:

- Eighty-one (81) different CTP agencies manage county or regional based programs.
- Project administration is paid by Federal, state, and local grants – no charge to the Medicaid program.
- Gatekeeping functions provided by the respective DSS departments.
- Service is provided directly by the CTP programs on a fee-for-service basis.
- No profit.

**Brokerage Model – For Profit Brokerage Contracts with State for Management Fees and Profit, Enters Into Fee-for-Service Agreements with Operators**



In this arrangement:

- State contracts with one (statewide) or more (regional) brokers.
- Medicaid must pay for the management fees and profit of each broker.
- Broker performs some or all of gatekeeping functions.
- Brokers enter into hundreds of fee-for-service contracts with operators to deliver NEMT service.

### Facilities & Administration

While less efficient than a regional or statewide brokerage call center operation, the overhead costs of community transportation are not charged to Medicaid. NCDOT pays 90 percent of the administrative costs for community transportation. **If a separate, duplicative NEMT brokerage is established, a broker will have facility costs as well as managerial costs to run the program, representing new, “out-of-pocket” costs Medicaid has not heretofore paid for in North Carolina.**

### Profit

In the community service delivery model, NEMT is provided by public agencies and nonprofit organizations that directly operate transit vehicles. These agencies do not charge Medicaid or other contracting entities for profit. Shifting an NEMT brokerage model will dictate that for-profit brokers as well as for-profit service providers earn a profit on their services. This will represent a new cost estimated to conservatively **add \$3.8 million to current NEMT costs.**

### Operations

This diagram suggests that operations costs will be comparable under either service model; arguably, opportunities to buy fuel in bulk, limited liability of public agencies, and other purchasing advantages may result in higher operating costs for NEMT service providers than community transit. This advantage may be mitigated by the broker in using independent contractors and/or negotiating rates at less than cost.

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## Impact of the Establishment of an NEMT Brokerage: Loss of Operational Efficiency

### Change in Operational Efficiencies\*

Scenario	Vehicle Hours	Vehicle Miles
<b>Status Quo (Current Coordinated System)</b>	<b>2,320,056</b>	<b>45,095,778</b>
Separate NEMT System	1,079,286	20,816,467
Remaining Participants in CTP Coordinated System	1,356,149	26,523,045
<b>Total</b>	<b>2,435,434</b>	<b>47,339,512</b>
<b>Percent Change – Additional Units</b>	<b>4.97%</b>	<b>4.98%</b>

By coordinating services, community transportation providers are able to utilize automated scheduling and dispatching software to develop optimal individual route configurations for a multitude of program clients; by ridesharing, or placing the clients of multiple programs on-board a single vehicle, economies are obtained.

Establishing a separate NEMT brokerage will remove the largest sponsored client group from community transportation. The remaining clients will incur higher operating costs due to loss of operating efficiency.

\*Burnier, Carolina, Amy Jacobi, Gwo-Wei Torng, and Yehuda Gross, "Uncover the Impacts of Coordinating Human Service Transportation - One Study, Two Locations, and Three What-If Coordination Scenarios," presented at the 2014 Annual Meeting of the Transportation Research Board (Washington, D.C.).

### Cost Impacts of Less Efficient Services\*

Each individual community transportation program will suffer some loss of productivity if NEMT passengers are not transported on the system. While fixed costs, by definition, will not change, existing/remaining users of the community transportation program will see some modest increase in costs due to lower productivity (passengers per hour and passengers per mile).

**\$29,696** Average increase in variable operating costs per community transportation system due to lost productivity if NEMT is operated separately

**\$2,197,500** Statewide impact in increased operating costs if NEMT is removed from the Community Transportation Program

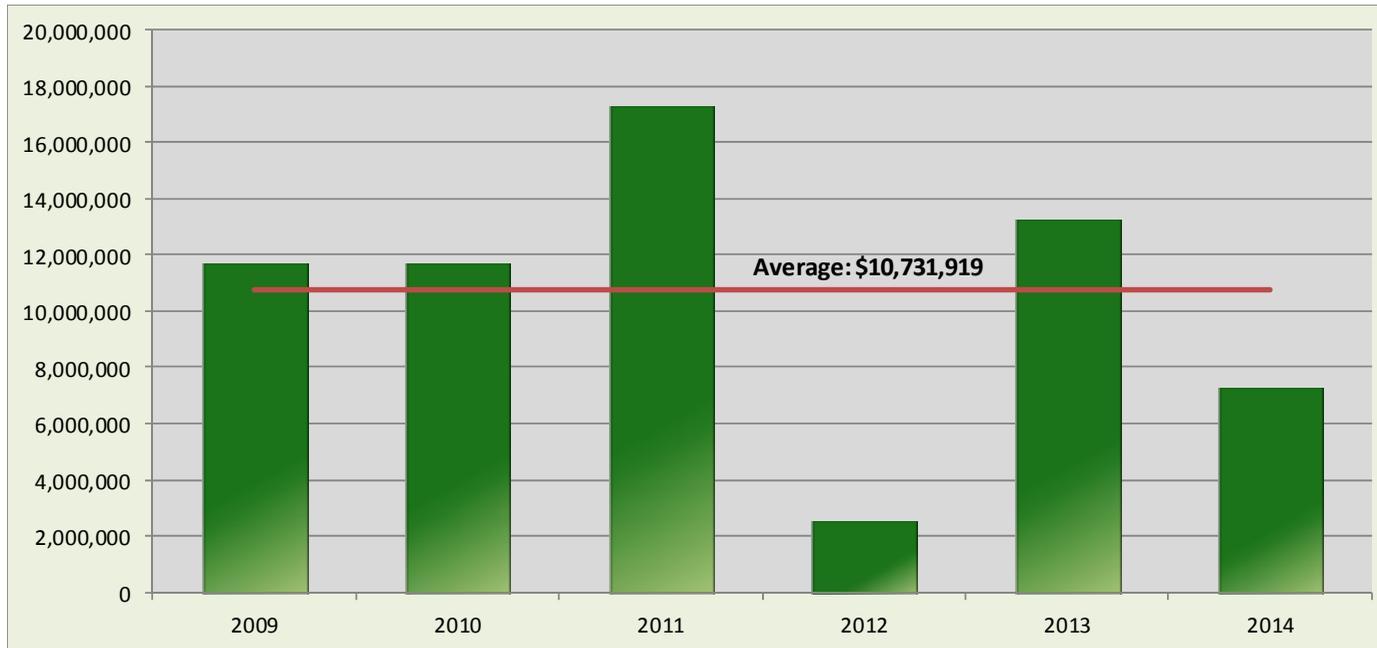
Computations based on application of the North Carolina Department of Transportation's cost allocation model.

\*North Carolina Public Transportation Association (2015)

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## Impact of the Establishment of an NEMT Brokerage: Capital/Access to Vehicles

Average Annual Investment in Vehicles\*



The Federal Transit Administration and NCDOT invest more than **\$10 million annually** to maintain a modern, accessible fleet of specialized transportation vehicles.

By opting to create a separate NEMT network, NEMT providers will need to acquire sufficient rolling stock to provide 1.3 million passenger trips per year. Vendors must include depreciation in charges to Medicaid in order to recover this investment.

\*North Carolina Public Transportation Association (2015)

Community Transportation Fleet

NCDOT provides capital funding to support community transportation. Typically, 90 percent of the cost of rolling stock is paid for by Federal and State funds.

**1,732** Number of vehicles operated by community transportation

**\$55,442** Average cost of a community transportation vehicle

**\$95,471,339** Investment in community transportation rolling stock

**92** Percent of vehicles model year 2005 or later

**66** Percent of vehicles that meet all ADA requirements for accessibility

### New Costs to Medicaid: Vehicle Depreciation

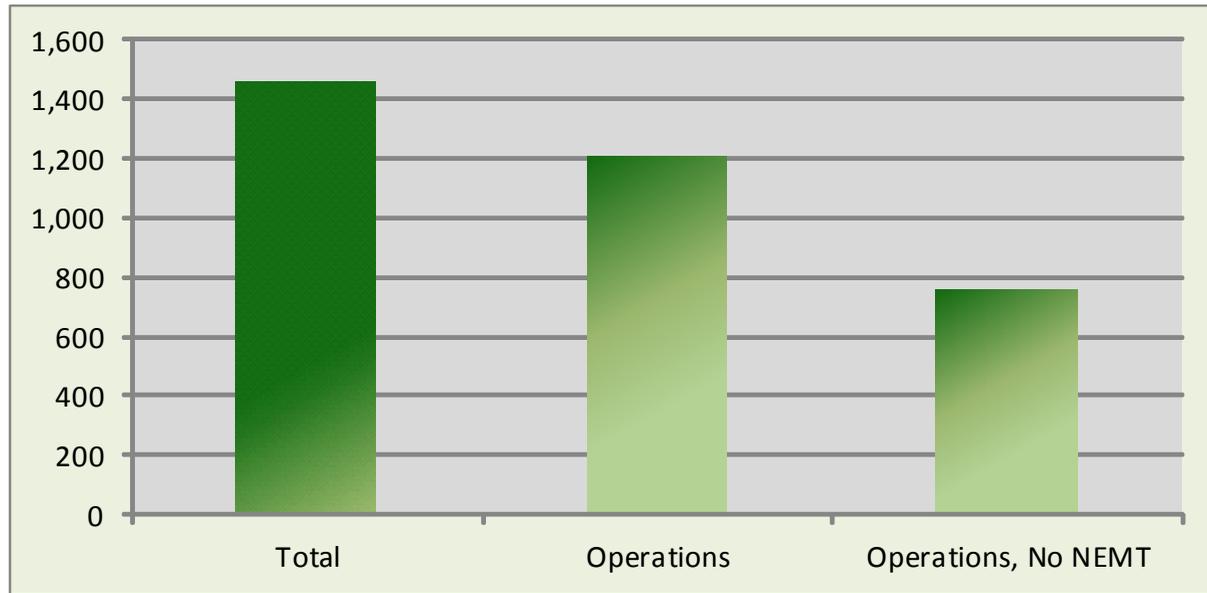
**\$4.2** Million – estimated annual depreciation costs of fleet resources necessary to delivery 1.3 million NEMT trips

\*North Carolina Public Transportation Association (2015)

# Community Transportation Programs: A Proven Model of Efficient Human Service Agency Transportation

## Impact of the Establishment of an NEMT Brokerage: Employment/Loss of Local Match Revenue

**Changes in Community Transportation Operations Employment**

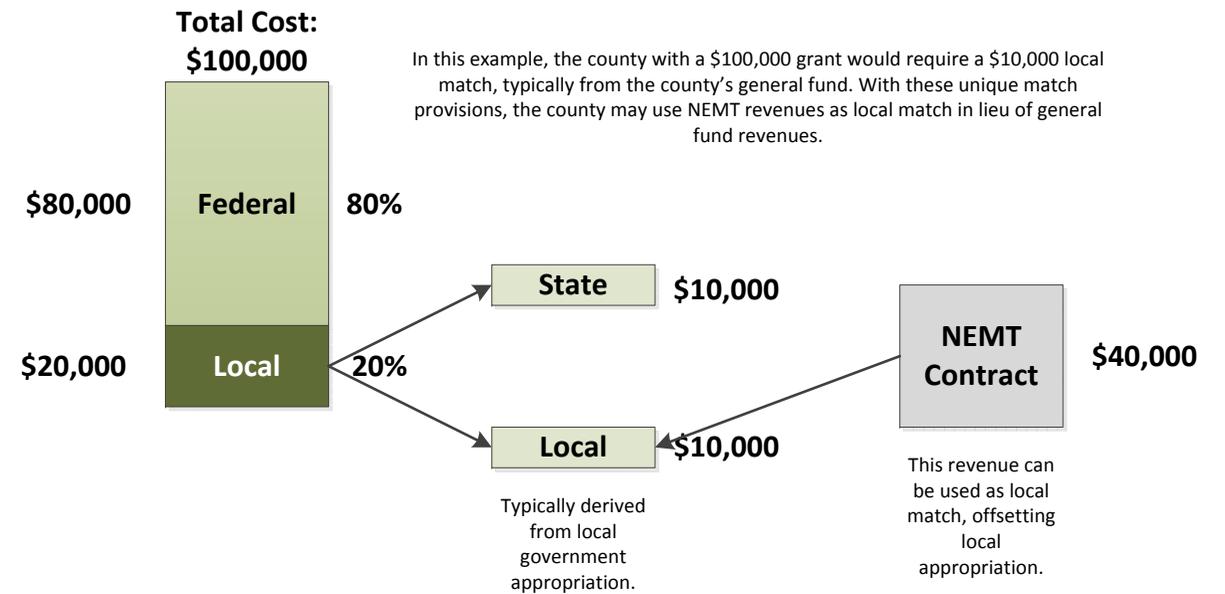


Community Transportation will lose the equivalent of **453 jobs across the state** if NEMT is no longer part of the system.

\*North Carolina Public Transportation Association (2015)

**Loss of Local Match Revenue\***

Under 49 U.S.C. § 5311(g)(3)(A), funds received by a community transportation program in North Carolina, pursuant to a service agreement with a state or local social service agency or a private social service organization, may be used as local match, even if the source of those funds is Federal in nature.



If Medicaid revenues, via purchase of service contracts, are no longer in the community transportation system, the estimated value of **\$36.9 million** in match funds is lost. This may limit a program's ability to draw down Federal grant revenues.