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

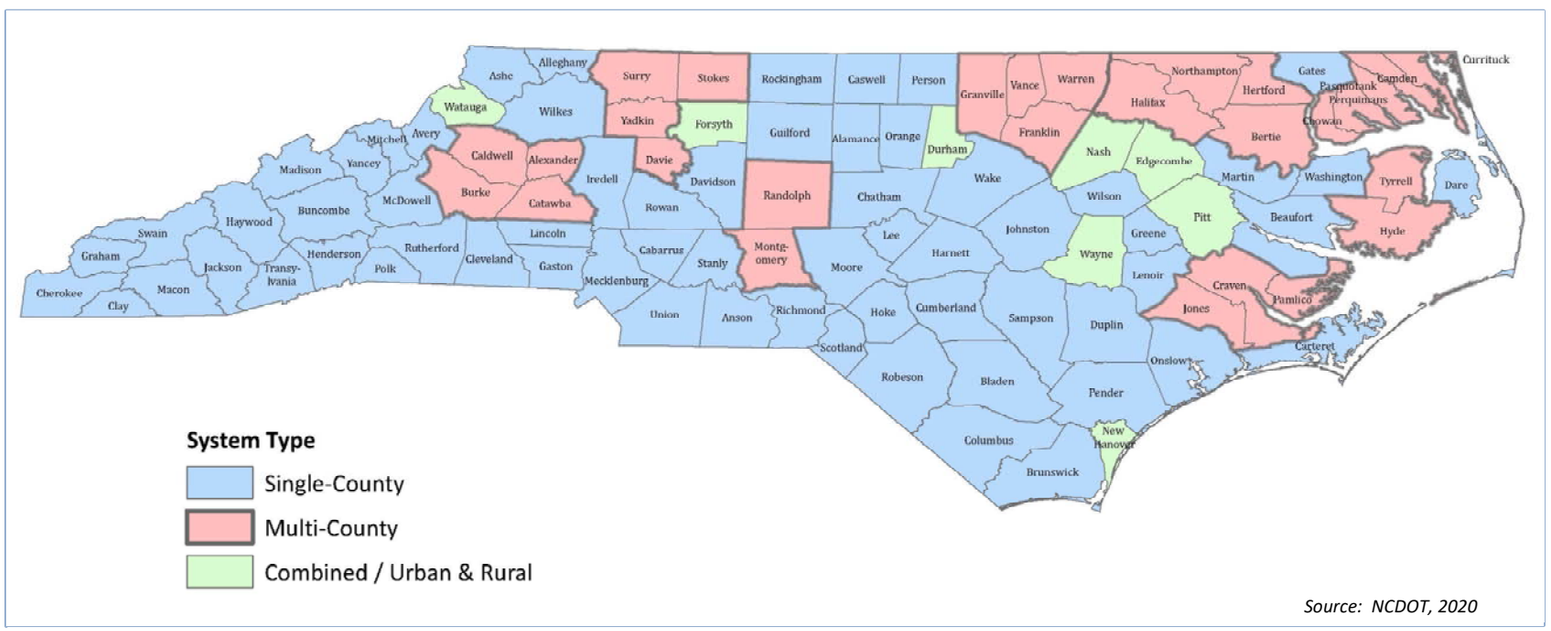
A Data Driven Analysis

Community Transportation is a network of **80 municipal, county, or regional transportation systems** established by state statutes, 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 **130 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 continuously since this time. This service delivery model, through local, yet centralized consolidation of administrative, maintenance, and capital functions, has enabled community transportation to forge strong, on-going partnerships with a multitude of Federal, state, and local partners that enable cost-effective delivery of client transportation needs, including NEMT, for more than 40 years.

*Existing Community Transportation Programs serve all **100** counties in North Carolina. Annual expenditures total **$101.5** million in FY 2019 in administrative, operations, and maintenance costs. **Sixty-four (64) local governments or transit authorities and 16 nonprofit organizations** provide these services.**

**Source: North Carolina Department of Transportation (2020)*



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 for coordinating transportation services.

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Who Uses Community Transportation in North Carolina?

Community Transportation by the Numbers*

100 Counties Served by Community Transportation Programs

80 Community Transportation Programs

3 Primary modes of service

6.58 Million passenger trips during FY 2019

1.42 Million NEMT trips during FY 2019

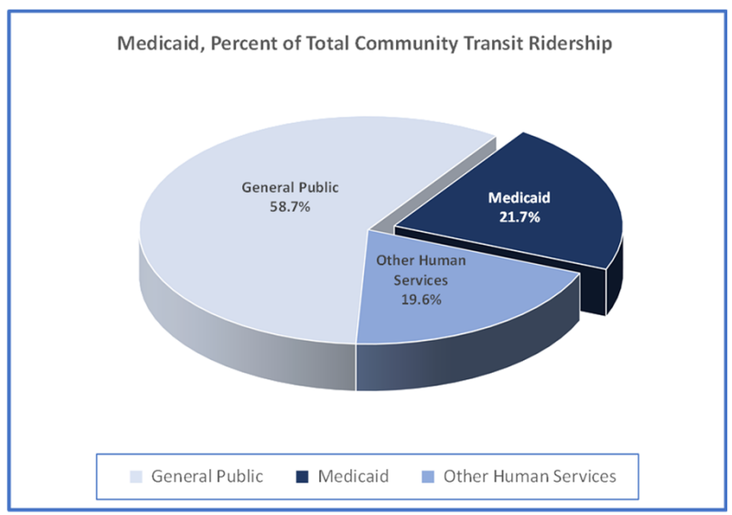
1.29 Million Other Human Service trips during 2019

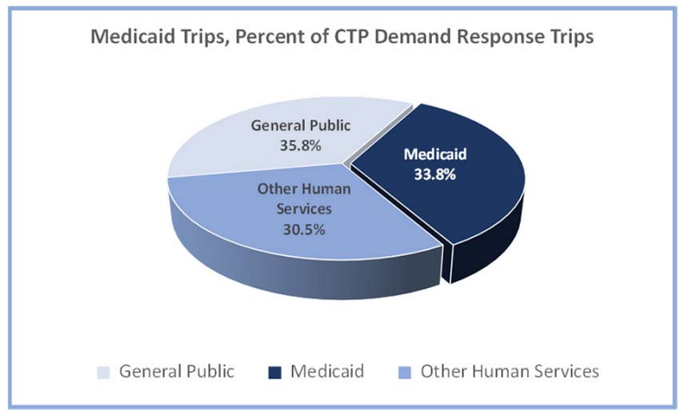
99.9 Percent of NEMT trips provided in demand response mode

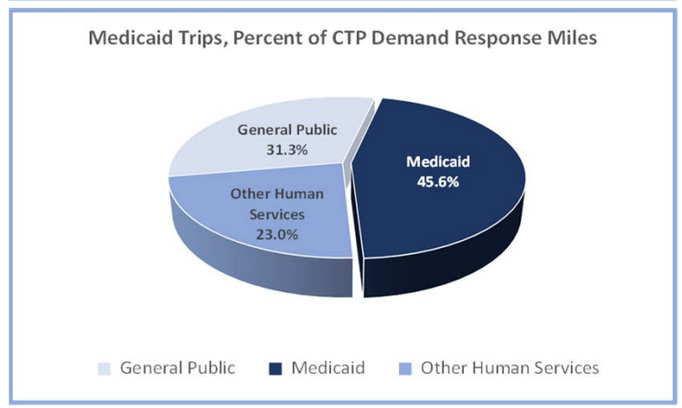
Source: North Carolina Department of Transportation and the Institute for Transportation Research and Education (ITRE), April 2020.

Medicaid and Community Transportation

In FY 2019, more than 1.4 million Medicaid beneficiaries reached their medical appointments on community transportation. Overall, this constitutes about 22% of all ridership; when looking only at the demand response mode, Medicaid trips represent 34% of all trips and more than 45% of all vehicle miles, due to the longer trips distances of Medicaid trips.







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 1.42 million trips per year.** NEMT has been an important part of the fabric of most community transportation systems and has played a critical role in ensuring access to other destinations (not paid for by Medicaid), thereby meeting the Medicaid goal of integrating the full set of factors that impact health, unite communities, and improve health care systems.

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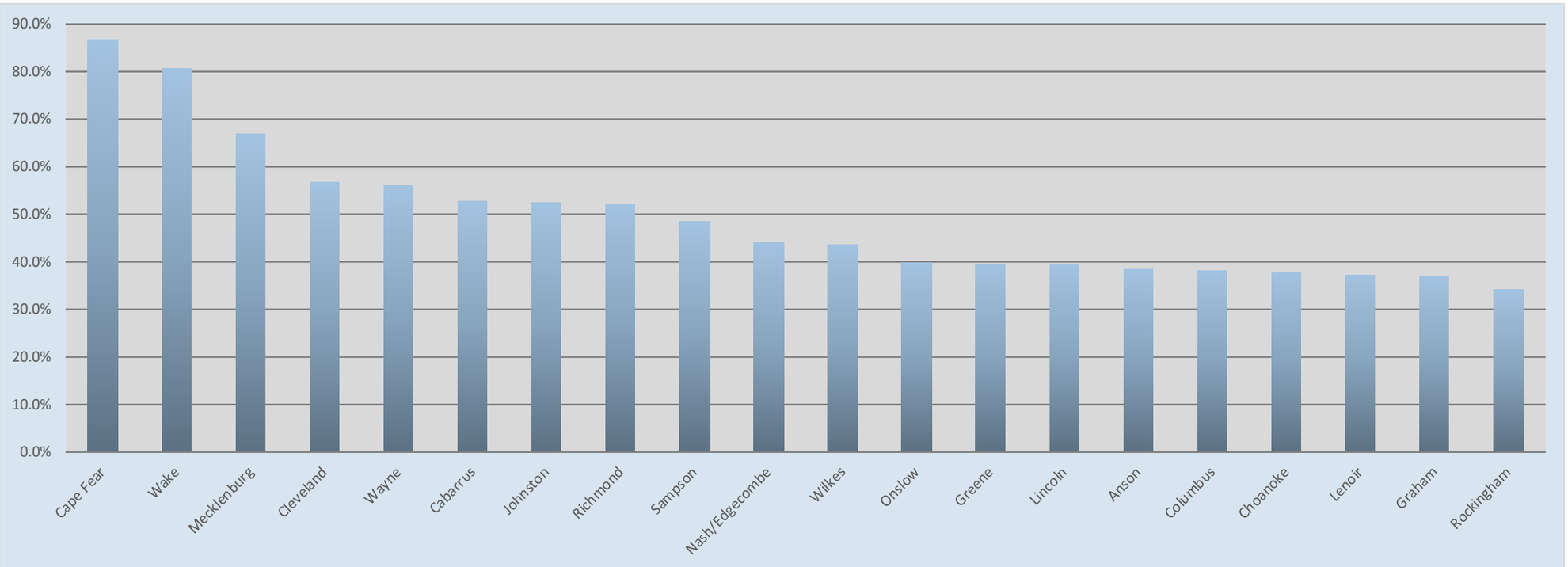
NEMT and Community Transportation

*Statewide, Medicaid represents **22** percent of all Community Transportation Program ridership, but consumes almost 45 percent of all demand response 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, industry research has shown that operating efficiencies of up to 11 percent can be demonstrated when coordinating ride and the costs of transportation.**

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



Seventy-three 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 20 programs, NEMT represents 33 percent or more of total system ridership. The Cape Fear Public Transportation Authority and Wake County both have over 80 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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Medicaid and NEMT Service Delivery Options

Medicaid

Medicaid originated in 1965 with the 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*

$600 **Billion** in estimated FY 2017 outlays for Medicaid

$14 Billion in estimated FY 2017 outlays for Medicaid in North Carolina

$2.32 Billion in estimated FY 2017 outlays for NEMT in the United States (does not include all states)

$207.67 Million in estimated FY 2017 outlays for NEMT in North Carolina (all modes of service delivery)

$18.52 Million in estimated FY 2017 outlays for NEMT provided by Community Transportation Programs in North Carolina

0.39% Estimated percentage of total NEMT expenditures in the U.S. to total Medicaid expenditures **(less than 1 percent!)**

**Source: FY 2017 Financial Management Report: Net Expenditures, based on the Medicaid Budget and Expenditure System/State Children's Health Insurance Program Budget and Expenditure System (MBES/CBES).*

Medicaid and Managed Care

NEMT has traditionally been arranged by local Medicaid agencies on a "fee for service" basis. This arrangement was consistent with the methods used to acquire medical services for eligible Medicaid beneficiaries.

More recently, States have been adopting "managed care" options to deliver some or all of the Medicaid services outlined in the state Medicaid plan.

A managed care organization (MCO) is a health care provider, an organization of medical service providers, or insurance companies that offer managed care health plans.

In 2015, the North Carolina General Assembly passed legislation directing the North Carolina Department of Health and Human Services (NCDHHS) to transition Medicaid and NC Health Choice from a fee-for-service model to a managed care model. NCDHHS has worked steadfastly to implement this program by February 1, 2020; however, implementation has been delayed.

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Managed Care, NEMT, and Implications for Community Transportation in North Carolina

The Move to Managed Care

Moving to a managed care option has been a trend in the Medicaid program and has been on-going for many years. As of 2018, 38 states have moved part or most of their Medicaid to MCO providers. Only twelve states have not migrated a portion of the program to managed care – North Carolina is the largest of these states, which include: Alabama, Alaska, Connecticut, Idaho, Maine, Montana, Oklahoma, South Dakota, Vermont, and Wyoming.

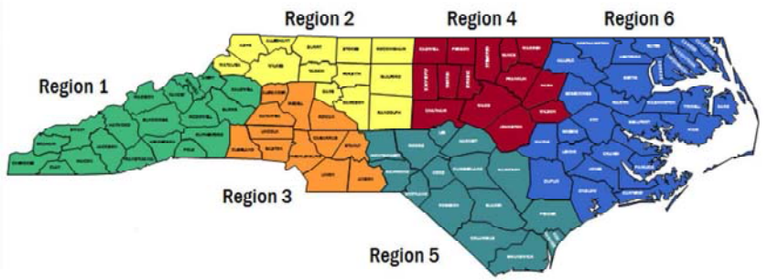
The North Carolina General Assembly enacted Session Law 2015-245, directing the transition of Medicaid from a fee-for-service structure to a managed care structure. The State solicited bids in Fall 2018 for Prepaid Health Plans (PHPs – the name used in North Carolina for MCOs). The vendors selected were announced in February 2019; AmeriHealth Caritas North Carolina, Carolina Complete Health, Blue Cross and Blue Shield of North Carolina, UnitedHealthcare of North Carolina, and WellCare of North Carolina would service as vendors. All are statewide contracts except for Carolina Complete Care, which is a regional provider network for Regions 2 and 5 (see map).

Delayed Implementation

Scheduled for phased implementation by February 2020, a budget impasse between the Governor and the Legislature resulted in an indefinite suspension of the managed care roll-out. It is unknown when this will be resolved; however, given the legislative mandate and the substantial work already performed in this new service delivery model, managed care will likely become a reality for North Carolina's Medicaid beneficiaries.

Community transportation programs should assume that this change will come about.

PHP Medicaid Regions



Source: North Carolina's Proposed Program Design for Medicaid Managed Care (August 2017).

NEMT in Managed Care Options

Managed care organizations, or PHPs, do not have expertise in Non-Emergency Medical Transportation planning, management, or operations. States that have adopted managed care have taken two approaches to NEMT in a managed care setting: (1) "Carved-In;" or (2) "Carved-Out."

North Carolina has adopted the carved-in model.

This term was used to describe a practice of whether pharmaceuticals should be included/excluded in an employer-paid insurance program. This language was adopted by transportation officials to describe a state's approach under managed care: will the MCO/PHP be required to provide NEMT (carve-in) or will state separately acquire the services of NEMT broker (carve-out)?

Based on the experience in the 38 states that use managed care and have utilized a carved-in NEMT model, the MCO/PHP will hire NEMT Transportation Brokers as a contractor to arrange and provide NEMT.

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NEMT Under Managed Care in North Carolina

Will NEMT Change as a Required Service?

No. According to the DHHS, the amount, duration, and scope of the NEMT service will not change. NEMT will be provided by the health plan in which the beneficiary is enrolled for Medicaid. Health plans will be contracting with statewide and regional NEMT brokers to arrange and provide NEMT to enrolled members.

PHP Contractual Requirements

The PHPs are required to:

- ❑ Provide NEMT to the nearest appropriate medical provider
- ❑ Provide NEMT only to Medicaid-covered service providers
- ❑ Develop a network of NEMT providers

Other Requirements

PHPs are also required to provide training to NEMT provider, ensure that beneficiary behavior issues during transportation are addressed, establish rates for provider reimbursement, adhere to DHHS standards, and have contractual stipulations with providers on quality of care, vehicles, drivers, timeliness, and no-shows.

How Will PHPs Meet These Requirements?

Comparable to the experience observed in other states, the North Carolina selected PHPs have contracted with for-profit, out-of-state NEMT Transportation Brokers to manage NEMT.

The brokers for each PHP are:

Prepaid Health Plan (PHP)	Coverage	NEMT Broker
AmeriHealth Caritas	Statewide	LogistiCare
Blue Cross/Blue Shield	Statewide	LogistiCare
United Healthcare	Statewide	LogistiCare*
WellCare	Statewide	One Call
Carolina Complete Health	Region 3, Region 5	LogistiCare

*United Healthcare selected National MedTrans as their broker; this firm was purchased by LogistiCare in May 2020.

NEMT Brokers

The U.S. healthcare transportation services market was valued at $21.82 billion in 2017, with the NEMT segment estimated to represent about 14 percent of the market (slightly over $3 billion). The number of NEMT brokers have grown markedly; there are at least 10 such firms on the national scene. The three firms contracted by the PHPs are all nationally known NEMT brokers.

What Functions Do NEMT Brokers Perform?

Under the DHHS plan, PHPs are responsible for NEMT for all services. All PHPs have elected to contract with NEMT brokers to meet this contractual responsibility. Brokers typically:

- ❑ Enlist and maintain a network of providers
- ❑ Perform trip reservation functions
- ❑ Assign approved trips to providers
- ❑ Establish reimbursement rates for providers
- ❑ Establish quality standards for:
  - Service quality
  - Vehicle driver qualifications
  - On-time performance
  - No-shows

Impact on Medicaid Beneficiaries in Arranging Rides

Presently, Medicaid beneficiaries call a local community transportation program for medically necessary rides. Ride information is processed by a dispatcher or customer service agent familiar with the medical service and service area. Under the new model, beneficiaries must call a broker's call center, which may or *may not* be located in the State of North Carolina.

Goals for Managed Care

Goals in Medicaid Transformation

The move to managed care is the most significant change in the Medicaid program in North Carolina since its inception. Medicaid represents the second largest of state expenditure following only education (K-12 and higher education), representing 31.5 percent of total state expenditures. DHHS has articulated the following goals for the transformation:

(1) Deliver whole-person care through coordinated physical health, behavioral health, intellectual/ developmental disability and pharmacy products, and care models
(2) Address the full set of factors that impact health, uniting communities and health care systems
(3) Perform localized care management at the site of care, in the home or community
(4) Maintain broad provider participation by mitigating provider administrative burden

Source: National Association of State Budget Officers (FY 2016 data); and webinar presentation by NC DHHS Secretary, October 26, 2018.

Medicaid beneficiaries will be forced to call out-of-state call centers to arrange rides to needed medical services.

NEMT Requirements in the PHP Solicitation

In the State's Request for Proposal from potential Prepaid Health Plan (PHP) providers, scant attention was paid to the details of NEMT service provision. **Only two pages of the 800+ page Request for Proposal addressed NEMT.**

The RFP affirmed the State's intention to maintain the "Transportation Assurance" articulated in 42 CFR § 431.53(a) and stated that the PHP would be responsible for furnishing NEMT services consistent with current levels. Few, if any, service-related details were provided. The service requirements included the following elements:

- ❑ A two-day reservation window was established (e.g., an eligible member could reserve a trip within two days of travel).
- ❑ Attendants must be provided for members under the age of 18
- ❑ PHPs must use the least expensive mode available appropriate to member needs.

(continued)

Requirements, *Continued*

Not one passage in the RFP referred to the decades old partnership between DHSS and the North Carolina Department of Transportation to promote the efficient delivery of human services transportation; further, there was no mention at all of the Community Transportation Program.

Essentially, DHHS left it up to the respective bidders to elect to continue the current fee-for-service arrangement or hire brokers to manage NEMT. While giving the appearance of providing options, it was a foregone conclusion that the brokerage system would soon be a part of the NEMT service delivery network. In virtually every other state example where there was a carve-in of NEMT in a managed care transition, the managed care organization has always elected to use the services of a private, for-profit NEMT broker.

All PHPs elected to use an NEMT broker.

Implications for Community Transportation in North Carolina

Fee-for-Service vs. Brokerage

It is difficult to forecast the precise conditions that may be faced by community transportation providers under a managed care/brokered NEMT program. Now that the PHPs have been selected and brokers have been identified, it was the responsibility of the PHP to develop a NEMT Policy and submit the plan to DHHS; however, DHHS did not reserve the right to approve such policies.

Brokers have begun to build their networks, with many companies bringing their traditional private sector network approach to the negotiating process with community transportation programs. In many instances, contract terms and conditions are not appropriate for FTA-sponsored programs due to contradictory provisions, failure to acknowledge Federal vehicle safety standards, and NCDOT oversight requirements. As a result, despite more than one year of negotiations, few, if any community transportation programs have been able to sign agreements with NEMT brokers. Based on the experience in other states, this will result in a considerable disruption in NEMT service delivery when the transition occurs.

NEMT Brokerages

The Centers for Medicare and Medicaid (CMS) have promoted NEMT brokerages as a "new," superior service delivery model to the existing community transportation program, which is a "fee-for-service" model. Centralized administration, trip reservations, automated eligibility confirmation, trip scheduling software, and consolidated billing are viewed as factors superior to other delivery models, leading to reduced fraud and waste in the program, including lower overall NEMT outlays. Actual experience, however, may reveal a different outcome.

Brokerage History

Brokerages are not new at all; 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.

Moreover, a series of recent audits conducted by the Office of Inspector General (OIG) at the Federal Department of Health and Human Services suggest that statewide brokers are no more efficient in enforcing state standards than systems that continue to use the fee for service model. Error rates in Michigan and New Jersey, two brokerage states, were higher than other states that use the fee for service model. While none of the audits were particularly favorable, brokerage models performed no better when it came to maintaining proper trip documentation, ensuring driver qualification standards are met, and that vehicles have been properly inspected.

Source: OIG audits for a six state sample (Michigan, New Jersey, North Carolina, Oklahoman, Minnesota, Louisiana, and Texas) revealed no significant difference in error rates in the management of NEMT over fee-for-service states.

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Comparative Assessment of CTP Programs and Brokered Providers In NEMT Service Delivery*

Community Transportation Program Providers		NEMT Brokerage Providers
Capital/Vehicles Financing		**Capital/Vehicles Financing**
❑ CTP programs obtain vehicles with 85% Federal and state funding	⟺	❑ Reliance on private, for profit providers
❑ High rates of fleet accessibility meeting the needs of Medicaid members with disabilities, including wheelchair users		❑ Most providers finance vehicles through commercial loans, adding additional cost to vehicles
❑ Federal rules preclude charging Medicaid for vehicle depreciation (2 CFR § 200.436)(c)(2) on Federal share of costs		❑ Low rates of vehicle accessibility for Medicaid members with disabilities
		❑ Depreciation included in rates charged to Medicaid
Trip Management		**Trip Management**
❑ Real-time, GIS based knowledge of location of revenue vehicles	⟺	❑ Trip assignment to network providers
❑ All vehicles operated by CTP personnel (or contractor personnel operating on behalf of entity)		❑ No real-time oversight or trip by broker
❑ Direct radio and/or data contact between reservations and vehicles		❑ Private, for-profit providers typically use independent contractors, not employees, further limiting control/oversight
		❑ May have direct radio and/or cellular contact with vehicle/driver
Safety		**Safety**
❑ Vehicles subject to rigorous Federal bus testing requirements (49 CFR § 665)	⟺	❑ No requirement for vehicle testing
❑ Federally mandated Public Transportation Agency Safety Plans (PTASP) (49 CFR § 673)		❑ May have a safety plan
❑ Pre- and post-delivery audits required on vehicles (49 CFR § 663)		❑ Vehicles may be subject annual inspections by the broker
❑ Mandatory DOT drug and alcohol testing (49 CFR § 655)		❑ Driver abstracts/records may be reviewed only annually; broker depends on provider to note deficiencies (a process OIG has found deficient)
❑ NC DMV requirements		❑ Training requirements may be limited to HIPAA and fraud/abuse requirements
❑ Daily pre-trip vehicle inspections		❑ May have safety, emergency procedures, special needs
❑ Drivers subject to 6-point safety training program and NCDOT library of 90+ certified training programs		❑ NC DMV requirements

This page present general characteristics and is not indicative of any one community transportation program, NEMT broker, or private NEMT provider.

Community Transportation Program Providers		NEMT Brokerage Providers
Reservations/Customer Service (CS)		**Reservations/Customer Service**
❑ Locally-based reservations center	⟺	❑ Out-of-state reservation centers
❑ Disaggregated on state level, no economies of scale		❑ Efficient, with economies of scale
❑ CS personnel have detailed knowledge of the service area and local conditions		❑ Personnel lack knowledge of the member's service area
❑ Supported by GIS software		❑ Supported by GIS software
❑ Utilize state-of-the-art scheduling technology based on actual road networks		❑ More limited ability to share rides and reduce costs to Medicaid due to more limited customer base
❑ Ability to share rides and reduce costs to Medicaid due to larger customer base		
Provider Management		**Provider Management**
❑ NCDOT pays for 85% of program management expenses	⟺	❑ Network providers, if private entities, charge Medicaid for program management
❑ No charges to Medicaid		❑ Broker management services Included in rates charged to Medicaid
Profit		**Profit**
❑ Network consists of local government and nonprofit organizations	⟺	❑ Broker charges profits
❑ No profit charged to Medicaid		❑ Provider includes profit in negotiated fee-for-service arrangement with broker
Technology		**Technology**
❑ NCDOT supports technology acquisition with 85% funding not charged to Medicaid	⟺	❑ Broker web portals enable efficient transmittal of trip orders, documentation, and billing exchanges between broker and provider
❑ Industry continues to invest in GIS-based and customer service applications, such as IVR real-time customer notification of vehicle arrival		❑ Capitated rate models discourages provider technology investments

In summary, Community Transportation Programs, due to coordinated use of multiple Federal resources, offers Medicaid substantial financial advantages, enhanced quality and accessibility of services, with substantial enhancements in safety oversight.

Community Transportation Programs:
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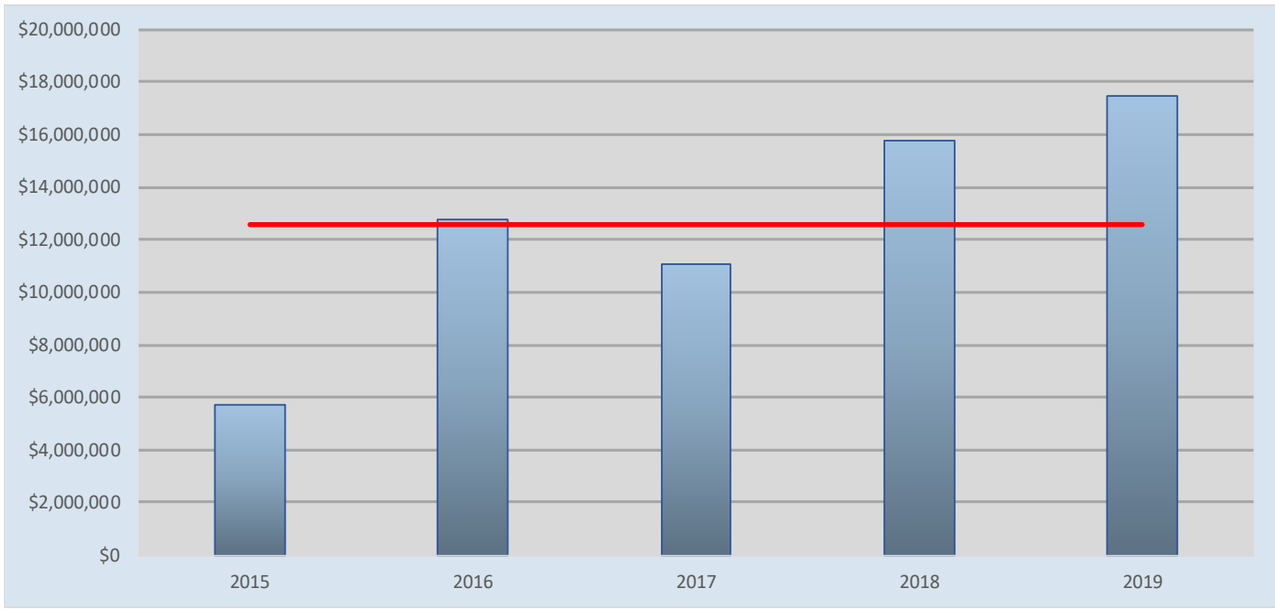
A Closer Examination of Community Transportation Comparative Benefits: Capital (Vehicles)

Average Annual Investment in Vehicles*



The Federal Transit Administration and NCDOT average annual investment in rolling stock exceeds **$12.6 million annually** to maintain a modern, accessible fleet of specialized transportation vehicles. This rate has increased dramatically in the last two years and is expected to grow substantially in FY 2020 due to transit funding in the CARES Act (Pub. L. 116-136). 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.

**Source: North Carolina Department of Transportation (2020)*

Each day, Community Transportation providers throughout the state put more than 1,300 vehicles into revenue service to meet customer needs.

Community Transportation Fleet

1,527	Number of active vehicles operated by community transportation
$66,288	Average cost of a community transportation vehicle
$85,077,093	Current capital investment in active fleet vehicles
$101,486,500	Estimated replacement costs for the active fleet
96%	Percent of vehicles model year 2010 or later
78%	Percent of vehicles that meet all ADA requirements for accessibility

Vehicle Depreciation Charged to Medicaid if No CTP

$7, 007,357	Estimated annual depreciation costs for fleet resources necessary to delivery 1.43 million NEMT trips

**North Carolina Department of Transportation (2020)*

A Path Forward

Build on Existing Successes

When managed care organizations were invited to prepare proposals to participate in the State's Medicaid Transformation, little information was made available to these organizations regarding the extensive community transportation infrastructure built over the last 40 years to ensure not only Medicaid clients get to necessary medical services, but that the elderly, persons with low incomes, and individuals with disabilities all had mobility options.

The existing community transportation network has enabled a variety of human service programs, including Medicaid, to obtain safe, dependable, low- cost transportation to all types of destinations. This effort was built on an exemplary model of state interagency cooperation between state agencies, regional organizations, local governments, and the nonprofit sector, with appropriate participation from for-profit entities through contractual arrangements.

While the North Carolina Public Transportation Association supports the Department of Health and Human Services in this ambitious transition to managed care, the Association strongly believes such transformation should be built on proven, cost-effective infrastructure. DHHS's financial analyses over the past decade have consistently shown the existing fee-for-service model to represent the best value to the State and Medicaid beneficiaries.

A more carefully crafted approach with managed care providers could leverage complementary partnerships with public transportation providers and also be more supportive of community and beneficiary outcomes.

Recommendations

Unlike other states where transportation infrastructure and investment in community transportation was sorely lacking, North Carolina has robust, mature, and cost-effective programs already in place; efforts to replicate NEMT experiences from other states will merely drive up the costs to Medicaid as duplication occurs.

The delivery of NEMT services can be accomplished successfully under the transformation by:

- ❑ Ensuring that pre-paid health care plans and/or their agents provide community transportation programs the right of first refusal on NEMT trips.
- ❑ Ensuring that pre-paid health care plans and/or their agents recognize the cost-effectiveness of the existing community transportation network, rather than invest limited Federal and State funds in building new, inefficient silo networks designed to serve only a single program's needs.
- ❑ Working cooperatively to develop and/or adopt transit system safety standards promulgated by the transportation experts on vehicle requirements, driver qualifications, and other issues rather than creating a patchwork of requirements issued by individual NEMT brokerage entities. Such practices only promote inefficiencies in service delivery.
- ❑ Ensuring a strong, on-going partnership with the North Carolina Department of Transportation to ensure smart investments of public dollars in transportation infrastructure (vehicles, technology, and communication) that directly benefits the Medicaid program.