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December 27, 2004

Antonia C. Novello, M.D., M.P.H., Dr. P.H.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Re: Report 2004-F-29

Dear Dr. Novello:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we followed up on the actions taken by officials of the Department of Health to implement the recommendations contained in our audit report, *Oversight of Medicaid Transportation Payments in New York City* (Report 2002-S-19).

Background, Scope and Objectives

The Department of Health administers the State's Medicaid program, in which medical services are provided to eligible low-income individuals. The Department is assisted by New York's local social services districts (57 counties and New York City), which determine whether applicants are eligible for program services. The Department uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process claims from health care providers for services rendered to Medicaid recipients.

If a Medicaid recipient needs medical services, but cannot get to those services, federal regulations require that transportation be provided to the recipient. Recipients generally use transportation services to travel from their residence or a medical facility to another facility for medical services. Transportation services generally comprise emergency services (ambulances) and non-emergency services (ambulette, livery, personal car, or public transportation). During the two years ended August 31, 2004, Medicaid payments for transportation services in New York City totaled \$380 million, of which \$20 million (5 percent) were emergency services and \$360 million (95 percent) were non-emergency services.

The Department's regulations require all non emergency transportation services, including ambulette services, be authorized by the local district before the transportation expenses are incurred. The purpose of this prior authorization is to affirm that the transportation services are needed by the recipients to obtain necessary medical care. Prior authorization is not required for emergency transportation. In New York City, this prior authorization is provided by the New York

City Human Resources Administration (HRA).

Recipient transportation services are arranged by their medical service provider. According to Department regulations, if a recipient's medical condition necessitates the use of an ambulette, the medical service provider must document the condition and retain this documentation for six years as part of the recipient's medical records. Moreover, if the recipient is transported outside the geographic area of his or her community, the medical service provider must document why this was necessary. According to Department officials, a recipient may be transported outside his or her geographic area when the needed medical services are not available within the geographic area, to continue ongoing treatment with a medical provider, or if there is a backlog at service facilities within the geographic area of residence.

Our initial audit report, which was issued on February 20, 2003, examined payments made for non-emergency transportation services in New York City for the two-year period October 1, 1999 through September 30, 2001 to determine whether controls provide reasonable assurance that these services are provided in a cost-efficient manner. Our report identified several control weaknesses relating to the processing of payments for ambulette transportation services provided to Medicaid recipients. In particular, we found that the Medicaid recipients did not qualify for the ambulette transportation service, transportation outside the recipient's geographic area was not justified, or documentation supporting the need for ambulette services was not provided. We concluded the existing control system was not sufficient to prevent an estimated \$23 million a year in unnecessary overpayments. The objective of our follow-up, which was conducted according to Generally Accepted Government Auditing Standards, was to assess the extent of implementation as of September 27, 2004 of the three recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found Department officials made some progress in correcting the problems we identified. However, additional improvements are needed. Of the three audit recommendations, two recommendations have been partially implemented and one recommendation is not implemented.

Follow-up Observations

Recommendation 1

Enhance or develop controls that provide reasonable assurance New York City Medicaid recipients are transported cost-efficiently, including instructing HRA to perform its quality assurance review before recipients are transported and to confirm that providers have complied with the recommendations of past reviews.

Status - Partially Implemented

Agency Action - The manual process now being followed by HRA still does not provide reasonable assurance New York City Medicaid recipients are transported cost-efficiently. According to HRA officials, the recommended controls are dependent upon the implementation of the

Restricted Transportation Prior Approval system, which will allow HRA officials to automatically restrict the mode of transportation. In January 2004, this system was ready for use; however, during relocation of some HRA offices a communication line between HRA and State computer systems was disconnected. Plans to test for provider compliance will not be implemented until the system has been operational for a period of time and enough data is available for the Department to perform tests of provider compliance. HRA officials have reestablished the connection and are working to implement the system. The new approval system is expected to prevent most inappropriate transportation claims from being paid.

Recommendation 2

Evaluate the effectiveness of the prior authorization process for non-emergency transportation services.

Status - Partially Implemented

Agency Action - Group Ride Transportation service involves non-emergency long term transportation for medical services and mental health day treatment programs. In August 2003, the Department removed the Group Ride Transportation service from HRA review, because over 95 percent of the transportation services were approved as is. The Department believes this action addresses the recommendation. Under the current process, all Group Ride Transportation services are submitted directly to the Department's fiscal agent for processing. However, we believe these operational changes do not address the intent of the recommendation to evaluate the effectiveness of the prior authorization process. HRA officials stated in order to evaluate the effectiveness of the prior authorization process for the remaining HRA-controlled non-emergency transportation depends on implementing and operating the Restricted Transportation Prior Approval system. After the system has been operating for a period of time, they will analyze effectiveness of the prior authorization process for non-emergency transportation services.

Recommendation 3

Conduct audits of medical service providers to determine whether the providers are ordering appropriate transportation services for Medicaid recipients.

Status - Not Implemented

Agency Action - The Department audits transportation providers and, when risk is identified during these audits, the Department will then review compliance of the medical service providers who ordered the transportation. However, the Department still has not performed audits of medical service providers to determine whether medical service providers are ordering appropriate transportation services for Medicaid recipients. Department officials stated they do not have the capability to review medical necessity for transportation services ordered.

We reviewed eight transportation audits completed by the Department in the past 12 months and found where risk was present, the Department reviews compliance of the highest paid independent medical service providers who ordered transportation services from the

transportation firm. However, the transportation audit objectives do not focus on determining whether the medical services providers are ordering appropriate transportation services for Medicaid recipients.

Major contributors to this report were Ken Shulman, Don Paupini, and Gail Gorski.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Agency for the courtesies and cooperation extended to our auditor during this process.

Yours truly,

David R. Hancox
Audit Director

cc: Robert Barnes, Division of Budget