

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

Relogged from Myers to Wells per Ms. Farkner on 12/11/07

TO <i>Wells</i>	DATE <i>12-7-07</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000278</i>	<input checked="" type="checkbox"/> Prepare reply for the Director's signature DATE DUE <i>12-14-07</i>
2. DATE SIGNED BY DIRECTOR <i>W</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
	<input type="checkbox"/> FOIA DATE DUE _____
	<input type="checkbox"/> Necessary Action

*cc: Deps, Ms. Ferber, Post
Quinton, Stensland,
Morrison*

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1. <i>Cleared 12/13/07, letter attached.</i>			<i>FYI... one from Westborough</i>
2.			
3.			
4.			

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

Relogged from Myers to Wells per Ms. Fortner on 12/14/07

TO <i>Wells</i>	DATE <i>12-7-07</i>
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DIRECTOR'S USE ONLY		ACTION REQUESTED	
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2. DATE SIGNED BY DIRECTOR <i>cc: Deps, Ms. Fortner, Post Quinton, Stensland, Morrison</i>	<input type="checkbox"/> FOIA DATE DUE _____	<input type="checkbox"/> Necessary Action	

APPROVALS <small>(Only when prepared for director's signature)</small>	APPROVE	* DISAPPROVE <small>(Note reason for disapproval and return to preparer.)</small>	COMMENT
1.			<i>Been - Full log</i>
2.			<i>Also log & no log</i>
3.			<i>to Williams per email</i>
4.			<i>HU! DM</i>



HUGH K. LEATHERMAN, SR.

SOUTH CAROLINA STATE SENATE
DISTRICT 31, FLORENCE
AND DARLINGTON COUNTIES

111 GRESSETTE SENATE OFFICE BUILDING
COLUMBIA, SOUTH CAROLINA 29202
(803) 212-6640

December 4, 2007

ROBINVED

DEC 06 2007

Department of Health & Human Services
OFFICE OF THE DIRECTOR

FLORENCE ADDRESS
1817 Pineland Avenue
Florence, South Carolina 29501
(843) 667-1152

Emma Forkner, Director
Department of Health & Human Services
1801 Main Street
Columbia, South Carolina 29201

Dear Ms. Forkner:

I am enclosing herewith a copy of an e-mail that I recently received from my constituent, Janice M. Baroody Executive Director of the Pee Dee Regional Transportation Authority. As you can see, Ms. Baroody raises some compelling questions about the way your agency is handling the Medicaid transportation brokerage program. I would appreciate your comments on these allegations.

Thank you for your assistance.

Very truly yours,

Hugh K. Leatherman, Sr.

HKL:dsm

Enclosure
cc: Ms. Janice M. Baroody

13-ME/1

COMMITTEES
Chairman, Finance
Chairman, Operations and Management
Ethics
Interstate Cooperation
Labor, Commerce and Industry
Rules
State House
Transportation

Log: Myers
c: Deps, EF
Lost, Quint, Sams,
RMorrison
"div. Nymn."

SENATE FINANCE COMMITTEE MAILBOX - Pay Increases for Medicaid Brokers

From: "Janice Baroody" <janicebaroody@pdrtva.org>
Fo: <SFI@scsenate.org>
Date: 11/28/2007 5:13 PM
Subject: Pay Increases for Medicaid Brokers
Attachments: MTM Change Order 2.pdf; Logisticare Change Order 2.pdf; DHHS Justification Ltr.pdf; Chart 11-07.doc

Dear Senator Leatherman,

I am writing as both a business person whose organization provides non-emergency Medicaid transportation in the Pee Dee, and also as a constituent and taxpayer.

This week, I was made aware that SCDHHS has "amended" its contracts with the two Medicaid transportation brokers, Medical Transportation Management (MTM) of Missouri, and Logisticare of Georgia. The amended contracts give each of the brokers an average 30% increase in their capitated rates for eligible Medicaid recipients. I have attached copies of these documents and my chart showing the dollar effect of the changes.

As you are aware, PDRTA bid to be the broker for Region V—the Pee Dee. We followed the rules, which clearly stated that we were to bid a firm, fixed price. SCDHHS gave us (it was stated in the RFP) an estimated annual number of Medicaid eligibles. The Cost Proposal instructed us to multiply the number of estimated eligibles by the bid amount. This became our firm, fixed price.

Sadly, SCDHHS has now chosen to give the brokers a 30% average increase to their firm, fixed price. SCDHHS' rationale for this is that the monthly amount of Medicaid eligibles is less than the annual estimate they provided. I am attaching a copy of the letter sent by SCDHHS' legal counsel to Voight Shealy at MMQ. The letter rationalizes that the numbers change was due to the length of time between bid response and contract award. However, this is simply a smokescreen. We bid separately for each year, 2006-2010. The contract was not implemented until May, 2007. Therefore, the bid for 2006 was moot and would have no effect on 2007. The note also states that there have been implementation problems that are being worked out. Please keep in mind that all statistics reported are coming from the broker—in other words, the student grades his own report card!

The most critical issue, however, is how this rate adjustment is costing the SC taxpayers \$14 MILLION more than it would have without the increase. Byron Roberts' letter says that the rate adjustment "remain at or below the maximum potential value of the contract". In other words, SCDHHS believes that as long as the amount they spend is under the contract amount of \$36M, there should be no problem. The fact is that if SCDHHS had continued to pay at the firm fixed contract price, the State of South Carolina would save over \$14M from the estimated cost of the contract in the first year alone. But DHHS, instead of looking to save our great State \$14M, decided to give these brokers \$11M in increases.

We are only 6 months into the brokerage program. The Legislative Audit Council is currently conducting a review of the system. SCDHHS has new leadership. Wouldn't it be prudent to wait until the dust settles before deciding whether to amend the contracts?

I also question how all of the above is allowable under the SC Procurement Code.

Senator Leatherman, I know that you have been and continue to be fiscally astute, and that you care deeply about the Pee Dee and South Carolina. Thus, I hope that you will look into this matter.

I should also tell you that there are other serious concerns about the way Medicaid brokerage is being handled. I would be more than happy to discuss these with you or one of your staff members should you desire.

Thank you for all that you do, and please feel free to call upon us if we can be of assistance to you.

Sincerely,
Janice

Janice M. Baroody
Executive Director
Pee Dee Regional Transportation Authority
Post Office Box 2071

Florence, South Carolina 29503

843 664-5718

Fax: 843 664-5701

janicebaroody@pdrta.org

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Reg 278 ✓

State of South Carolina
Department of Health and Human Services

Mark Sanford
Governor

December 13, 2007

Emma Forkner
Director

The Honorable Hugh K. Leatherman, Jr.
Chairman
Senate Finance Committee
111 Gressette Building
Columbia, South Carolina 29202

Dear Senator Leatherman:

Thank you for your letter regarding the concerns expressed by Ms. Janice Baroody of the Pee Dee Regional Transportation Authority about recent Non-Emergency Medicaid Transportation (NEMT) contract amendments with Medical Transportation Management and Logisticare. It appears that Ms. Baroody has misunderstood the nature, intent and financial impact of the amendments in question and that further explanation is needed.

Ms. Baroody is correct that the Cost Proposal page in the Request for Proposals included an estimated number of Medicaid eligible people to be used in calculating the per member per month capitated rate and the total amount of the cost proposal. In order to calculate the per member per month rate each offeror would have first had to estimate their total cost of providing transportation in each region based on utilization and cost data provided in the RFP as well as their own experience and analysis of cost and utilization. They would then multiply the total number of eligibles provided in the RFP by twelve to determine the total member months. They would then divide their total cost estimate by the total estimated member months to arrive at the per member per month rate to be used to fill in the Cost Proposal page.

The Cost Proposal page simply restated the mathematical process described above in reverse, multiplying the per member per month rate times the total member months to come back to the total estimated cost. As provided in the RFP, and in accordance with CMS requirements, each successful offeror would have expected to receive monthly payments calculated by multiplying the actual number of eligible people each month times the per member per month rate in their Cost Proposal, and they would have expected the actual number of eligibles each month to be reasonably close to the estimated number given on the Cost Proposal page in the RFP, understanding that there would be some variation.

However, when the first payments began to be made under the NEMT broker contracts, it was discovered that the actual total number of eligibles each month was approximately 600,000 as compared to the estimated number on the Cost Proposal sheet in the RFP which was over 800,000. Further investigation indicated that the number in the RFP was based on an annual count of unduplicated eligibles rather than the average number of eligibles on a monthly basis.

The Honorable Hugh K. Leatherman, Jr.
December 13, 2007
Page Two

The reason an annual count is higher is that there is continuous turnover in Medicaid eligibles during the course of a year, with many people eligible for only part of the year, some for at little as one month. The monthly count is the net result of those who lost eligibility and those who gained eligibility since the previous month. Therefore, the number of eligibles used in the Cost Proposal in RFP was overstated and would have in turn caused each offeror to understate the per member per month rate needed to cover the cost of providing transportation.

The resulting loss of approximately 30% of anticipated revenue under the contract would have impacted not only the NEMT brokers, but would have caused them to have to drastically reduce their reimbursement rates to their subcontractors such as Pee Dee Regional Transportation Authority. The result would have been the same no matter which entity won the NEMT broker contracts.

Therefore, once the problem was analyzed, it was determined that the use of the overstated number of eligibles in the RFP affected each offeror equally and would not have affected the outcome of the procurement process. It was determined that in order to assure adequate reimbursement to both the NEMT brokers and their subcontracting providers for the provision of services, the fair course of action to take was to amend the per member per month rate in the NEMT broker contracts. In this way, the per member per month rate times the actual number of eligibles per month would equate to the estimated total cost of the NEMT contracts, as was intended in the RFP and the resulting contracts.

In summary, the number of eligibles used in the RFP was overstated, causing the per member per month rates to be understated. This had the same effect on all offerors, and would not have affected the outcome of the procurement process. The same reimbursement issue would have arisen no matter which offeror was awarded the contract. It would not have been in the best interest of the state to leave this problem uncorrected due to the detrimental effect it would have had on everyone concerned including the transportation subcontractors and recipients; therefore, the problem was corrected through a contract amendment. The result of the amendment is that the total annual amount paid to the NEMT brokers will be consistent with the total amount listed in the award, not an increase in that amount.

We hope this information is responsive to your needs. If additional information is needed, please give me a call at (803) 898-2504.

Sincerely,



Emma Forkner
Director

EF/wh