The Hidden Risk of Cutting Medicaid NEMT:
An Examination of Transportation Service Interdependency at the Community Level

One in five Americans receive health care coverage through Medicaid, our nation's health insurance program for low-income individuals. The vast majority of the more than 70 million Americans covered lack access to other affordable insurance, and face complex and/or costly health care needs. Since the 1960s, Medicaid — through a series of court decisions and regulations — has offered non-emergency medical transportation (known as NEMT) to beneficiaries who lack transportation to access care. Medicaid recognizes the availability of transportation as a necessary component of patient care, and thus ensures access to its services. Additionally, transportation, (Medicaid NEMT and public transportation), is recognized as a primary Social Determinant of Health (SDOH), which when addressed can lead to improvements in health outcomes and decreased health care costs for all individuals, not just those enrolled in Medicaid.

Since its inception, Medicaid NEMT has grown in importance not only because of its essential role in connecting people with necessary medical care, but also because it is a key component in the coordinated public transportation model that allows public and community transportation systems to thrive. In many communities (particularly in rural America), transit providers use the contract revenues gained from providing Medicaid NEMT services as local match dollars to receive federal transit funding. In other words, these communities cannot access their allocated federal transit investment without continued Medicaid NEMT contract service support. Legislative and regulatory challenges to Medicaid NEMT, therefore, threaten not only medical trips, but also public transportation services that many Americans rely on to take them to work, to the grocery store and to connect them with their communities.

Currently, two states—Indiana and Iowa—have been permitted to waive the NEMT benefit for their Medicaid expansion populations and a third, Kentucky, is seeking to do so. The Trump Administration has signaled a willingness to let all states curtail NEMT: first in a letter to State Medicaid Directors, then in the President's proposed budget for fiscal years 2019 and 2020, and, most importantly, in an Office of Management and Budget list of expected federal regulations. Recent developments see the Administration backing away from these proposals for a minimum of two years, but the threat has not disappeared entirely.

For transit operators in small towns and rural, regional service, this threat is nothing short of existential. For urban public transit, there is the additional concern that drastic reductions in Medicaid NEMT will cause those individuals who are also ADA eligible to inundate already over-burdened and costly complementary paratransit services mandated by the Americans with Disabilities Act. For the wider public using these coordinated transit services, not only could their access be limited, but it could have unknown consequences on the community's health and well-being, by limiting access to SDOH related-destinations and services.

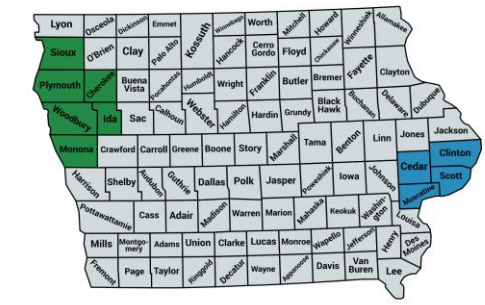
The coordinated approach to community mobility — one fully supported by recent presidential administrations going back more than 20 years — allows Medicaid to benefit from community-based mobility at a fraction of actual costs. These trips often actually save Medicaid funding by reducing appointment no-shows, hospital readmissions, and streamlining patient discharge. With

key health care challenges like diabetes and opioid treatment and recovery at the forefront of public health officials' agenda, removing Medicaid NEMT from the coordinated transportation model would be counter-productive.

What follows are profiles of a variety of local community and public transportation providers across the country, emphasizing the invaluable role Medicaid NEMT plays in making their services possible.

Case Studies on the Co-Dependency between NEMT and Community Transportation Agencies

Case Study 1: Iowa



*Simpco and River Bend Transit offer services outside of Iowa to neighboring counties.

Iowa is served by 48 regional transportation organizations that serve the state's 99 counties. These transportation organizations serve thousands of mobility-challenged, vulnerable Iowans, including, but not limited to:

- People with physical disabilities;
- People with developmental disabilities;
- Older adults;
- People with Medicaid who lack transportation (Medicaid NEMT).

For this paper, we interviewed the leaders of two Iowa public transportation organizations – Curt Miller (Simpco) and Randy Zobrist (River Bend Transit) – to learn about the interdependencies between local public transit services and Medicaid NEMT. River Bend Transit provides roughly 180,000 rides per year, of which 34K require wheelchair transport and 21K require attendant service. Annually, approximately 21% of the rides provided across both agencies are for Medicaid NEMT trips.

Iowa Medicaid NEMT: The state of Iowa currently uses a broker model where a private company manages the transportation for Medicaid beneficiaries who need access to medical care but have no other means of transportation. The broker is responsible for arranging transportation services for all eligible beneficiaries residing in Iowa for in-state and out-of-state travel and paying the claims of local transportation providers – like Simpco and River Bend Transit - for approved NEMT trips.

The last few years have been tumultuous for Iowa Medicaid. The state expanded Medicaid but did not offer NEMT to the Expansion population. Iowa also implemented a managed care model in 2016 that has been hampered by grievances over program funding and Managed Care Organization (MCO) market exits. In December 2017, Iowa Medicaid implemented a rule change for persons on the Medicaid Intellectually Disabled Waiver to change the NEMT

reimbursement schedule that limited NEMT services thereby limiting funding from the Department of Transportation. [1]

NEMT fares are paid to local transportation organizations through three NEMT brokers that contract with Iowa's MCOs. Fares vary considerably based on local circumstances (such as the level of county support), but often hover around $15 per trip in areas served by River Bend, and $25-30 in areas served by Simpco. Some Iowa counties contribute small amounts to local transportation organizations, but many smaller or more rural counties are not able to contribute any funding. Both organizations charge small fares for most of their non-Medicaid trips, but these fares make up only a small sliver of their funding. Overwhelmingly, NEMT contract revenue plays an outsized role in the community transportation funding stream when comparing incoming revenue to total Medicaid NEMT trips for both Simpco and River Bend Transit.

Transportation Organization Challenges: Both River Bend and Simpco reported difficulties with respect to declining revenue and diminishing services due largely to changes in Medicaid NEMT policy.

- Loss of Revenue: For example, the 2017 rule change resulted in a loss of $120,000 in reimbursements for River Bend Transit. Simpco saw a 28% decrease in revenue in 2018 despite only a 10% reduction in their total annual revenue miles. Both organizations also reported lost revenue associated with MCO pull-outs; departing MCOs have not settled their bills with transportation organizations. Simpco stated that they had lost $30,000 in the transition to a new MCO.
- Decline in Services Provided: Because of the funding loss, both organizations reported increased difficulties with attracting and retaining drivers. This, in combination with the constricting funding, has led both organizations to diminish overall mobility services to the community. Simpco has had to reduce levels of service in all five counties it serves in Iowa, as well as defer purchases necessary to update its fleet of 50 buses; 60% of its fleet remains on the road beyond the recommended age of a public transportation vehicle.

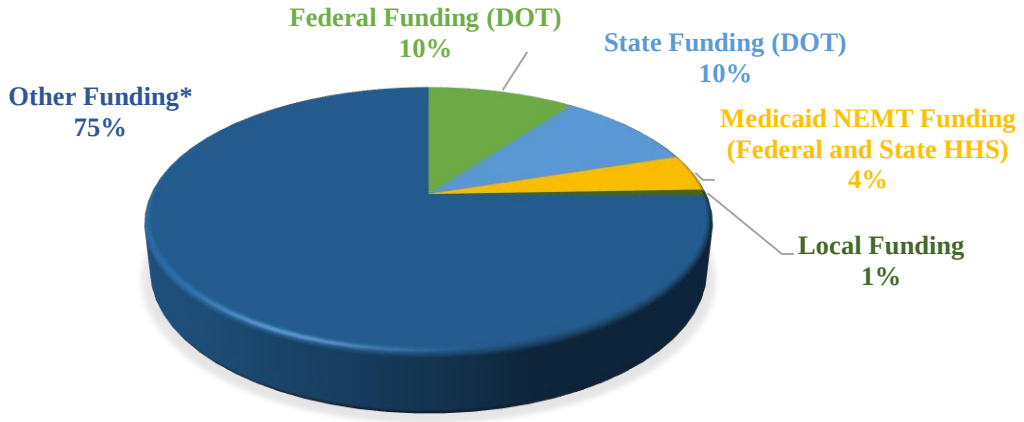
Co-dependency between Medicaid NEMT and local transportation organizations. Both River Bend and Simpco noted that Medicaid NEMT and local public transportation services are tightly interwoven (See Figures 1 & 2). NEMT rides fill seats on fixed bus/van routes where Medicaid beneficiaries mix with other riders in an intentionally coordinated mobility service. If NEMT riders were not on these routes, several of the vehicles serving these routes would be financially untenable. For example, Medicaid generates 34% of Simpco's ridership which accounts for 36% of its revenue.

Further, per Iowa law, transportation organizations draw upon state transportation funds based upon the number of rides provided. This occurs based on a funding formula that allocates funds without discretion. So, a loss of NEMT riders not only results in lost revenue from the Medicaid program, but also reduces a transit agency's funds from the state's Department of Transportation.

[1] On December 1, 2017, the Iowa Medicaid Enterprise implemented a rule change to the Home and Community Based Services - Intellectual Disability Waiver to change the reimbursement schedule to include transportation services within the tiered rate structures. Previously, transportation was excluded and used in addition to the tiered funding.

Iowa regional transportation organizations receive a dollar-for-dollar match of up to 20% of the organization's operating expenses from the state Department of Transportation as well a 22% match in state operating expense from the Iowa Department of Human Services.

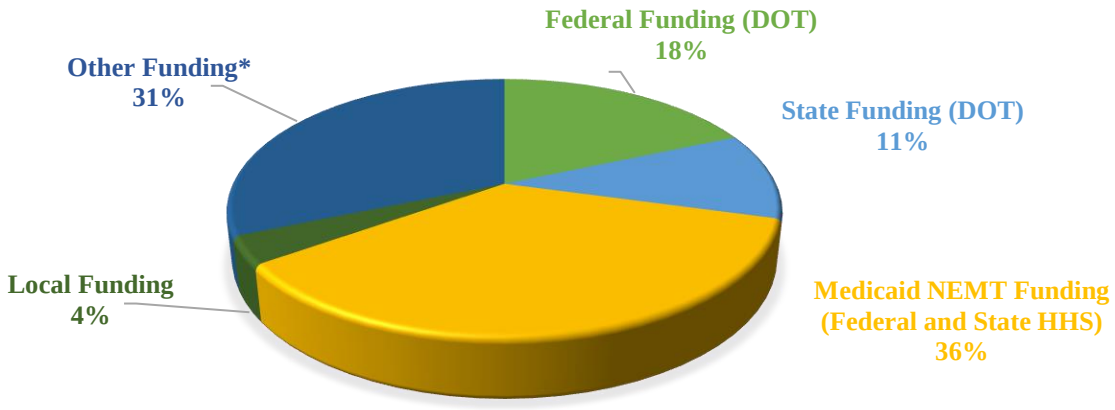
FIGURE 1. RIVER BEND FUNDING BREAKDOWN



* Other funding may include contracts with counties to provide rides for a specific reason including workforce development, rides for aging population, or other commercial transportation.

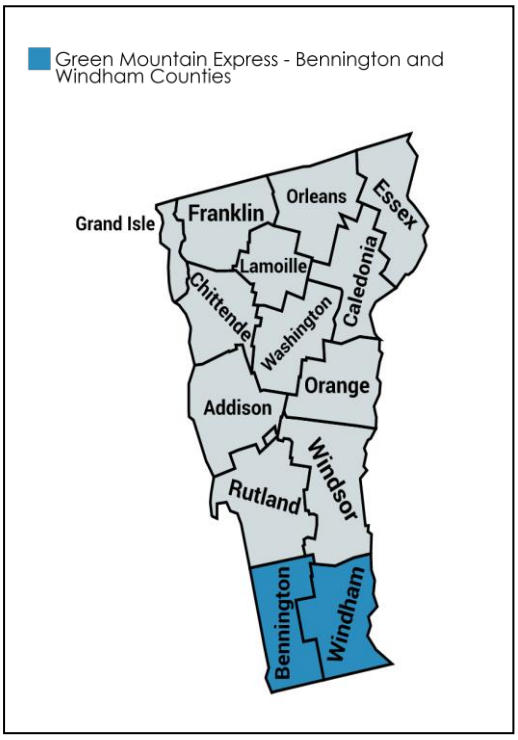
The loss of Medicaid NEMT rides, therefore, unavoidably reduces the routes, workforce, and vehicle fleets that provide non-Medicaid rides for vulnerable populations such as people with physical disabilities, developmental disabilities, and older adults. River Bend estimated that it would need to cut its 72-vehicle fleet in half if NEMT funding was no longer available. Simpco suggested it would have to eliminate individual trips and might need to provide only fixed-route transportation.

FIGURE 2. SIMPCO FUNDING BREAKDOWN



* Other funding may include contracts with counties to provide rides for a specific reason including workforce development, rides for aging population, or other commercial transportation.

Case Study 2: Vermont



Vermont is served by seven regional transportation organizations that cover the state's 14 counties. For this paper, we interviewed an Executive Director from one of the seven transportation agencies, Donna Baker (Green Mountain Community Network) and the Executive Director of the Vermont Public Transit Association (VPTA), Elaine Haytko.

Vermont Medicaid NEMT: NEMT is a statewide service provided through a Personal Services Contract that the Department of Vermont Health Access (DVHA) awarded to VPTA. VPTA contracts with a network of regional transportation providers to deliver NEMT services to eligible Medicaid patients. The Association is responsible for ensuring the services provided by the NEMT network comply with DVHA's *Medicaid Non-Emergency Medical Transportation Procedure Manual* guidelines, including documentation, patient eligibility, and incident reporting.

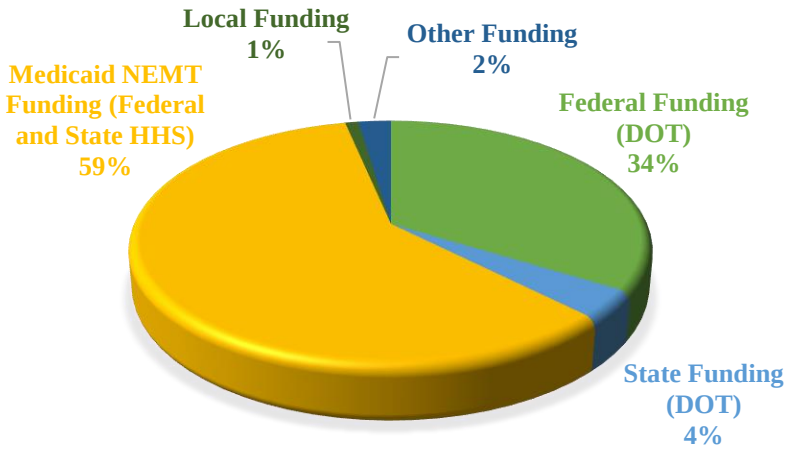
Transportation Organization Challenges: The rural and mountainous terrain of Vermont presents unique challenges for the provision of NEMT. GMCN and VPTA both discussed new challenges around substance use disorder-related trips and coordination barriers related to the long travel times and widely dispersed population centers.

- Substance Use Disorder-Related Trips: Approximately 42% of NEMT rides in Vermont are for substance use disorder treatment, and is as high as 58% in some counties. Often these trips are to regional medication-assisted treatment (MAT) clinics; it is not unusual for these trips to occur daily or almost daily. As the opioid epidemic has grown, the number of these frequent MAT trips has surged, leaving many Vermont providers struggling to meet demand.
- Geographic Challenges: Given the rural mountainous character of the state and the fact that many Medicaid patients live long distances from each other and health care locations, transportation organizations struggle to group trips to achieve transportation efficiencies. More often, they end up providing single-rider trips. In addition, a lower percentage of patient trips can be accommodated on the least expensive fixed-route bus routes than would be possible in more populous states with a higher concentration of urban residents. These challenges put further financial burdens on transportation organizations. NEMT providers in the small urban areas do attempt to bundle Medicaid NEMT rides on commonly used modes of transportation including fixed-route public transportation, fixed and deviated route bus vouchers, and volunteer driver trips where possible.

- Service challenges. Many states contract with taxi companies, and now transportation network companies (TNCs), to assist with providing Medicaid trips. This is less of an option for the Vermont NEMT network, as there are far fewer taxis and TNCs in Vermont. Instead, many Vermont transit agencies rely on volunteer drivers to provide NEMT services. While volunteer services are lower cost, the administrative burden to recruit, train, and reimburse volunteer drivers can be high.
- Mismatch between weekly DVHA reimbursement rate with NEMT network expenses. As noted above, distance and frequency of trips are major factors in the NEMT network's cost to provide service; the difference between the cost to provide trips and the reimbursement rate often leaves the network providers at a severe disadvantage. Network members do utilize the least costly, most medically appropriate and available mode of transportation where possible. However, VPTA does not receive a PMPW payment for any Medicaid members who have not taken a trip within 13 months nor does DVHA offer an option for adjusting this PMPW rate by considering distance or frequency of trips. Given the increase in trips related to MAT, GMCN, and other network providers are looking at new ways to save costs as trip volume increases, but reimbursement rates stay fixed.

Co-dependency between Medicaid NEMT and local transportation organizations: Given this structure, the loss of Medicaid NEMT rides would not only reduce routes and vehicle fleets but result in a dramatic reduction in the transportation workforce. GMCN estimated that it would need to lay-off half of its drivers if NEMT funding were no longer available. This is similar to transit organizations across the state when analyzing demand data from VPTA, which has seen a 43% increase in riders using volunteer driver services across the state during the past five years. In that same time span, VPTA has seen a 19% decrease in express commuter ridership, 12% decrease in rural commuter ridership and an overall decrease of 11% in urban area ridership. The increase in volunteer ridership to cover these new trip types corresponds to a decrease in other transportation services and illustrates a move from regional transportation providers transitioning to lower-cost more individualized services.

FIGURE 3. GMCN FUNDING BREAKDOWN

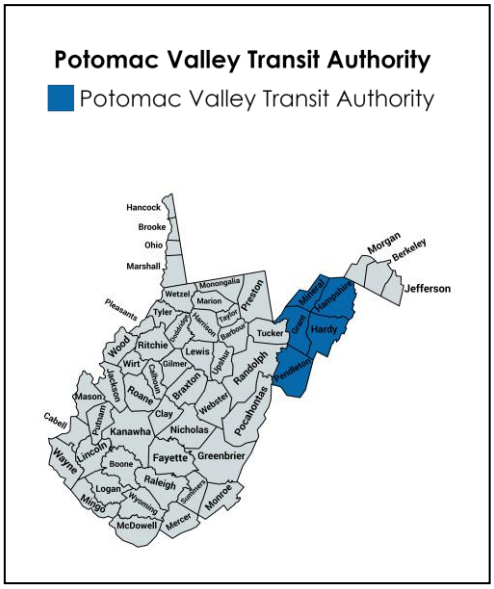


* Other funding may include contracts with counties to provide rides for a specific reason including workforce development, rides for aging population, or other commercial transportation.

Medicaid dollars are also used to support mobility services. Green Mountain combines NEMT and other funding sources to hold fares as low as 50 cents despite an average cost of $4.51 per mile. Green Mountain also leverages NEMT dollars and riders to offer more long-distance trips. Specifically, they used to offer one 130-mile round-trip route once a week, and now run the same route three times a day.

Similar to Iowa, transportation organizations leverage state transportation funds based on the overall number of rides provided. DVHA pays VPTA on a per member/per week (PMPW) basis to administer the NEMT benefit. VPTA then uses these funds to pay regional providers a fixed amount ($34 PMPW) for the total number of members who have used the NEMT service at least once in the previous 13 months.

Case Study 3: West Virginia



West Virginia is home to 18 public transportation agencies that serve 32 of the state's 55 counties (the remaining 23 counties are not served by public transportation). For this paper, we interviewed Doug Pixler, the General Manager at Potomac Valley Transit Authority (PVTA). Since 1977, PVTA has provided transportation services to the general public with an emphasis on serving the specialized needs of the mobility impaired or otherwise disadvantaged. PVTA services a five-county region and, last year, averaged over 8,000 passenger trips per month, of which approximately 28% were for Medicaid NEMT.

West Virginia Medicaid NEMT: Since 2014, West Virginia has used a statewide broker to manage the NEMT benefit for the state's over 564,000 Medicaid beneficiaries. The broker is responsible for arranging transportation services for eligible Medicaid beneficiaries for transportation to and from their homes to Medicaid covered services. The broker contracts with local providers, such as PVTA, to create a provider network that provides the actual NEMT trips. Local providers must have a contract with the state broker to provide transportation eligible for reimbursement.

Transportation Organization Challenges: PVTA stressed the importance of Medicaid NEMT as a component of a local match and a building block of local transportation services and routes. There was clear concern expressed during the interview regarding declining revenue and diminishing services if changes in Medicaid NEMT policy were to occur.

- Local Match: NEMT provides PVTA with contract funds that are put towards a required local match needed to offer services to the greater public such as work routes, interstate routes that connect people to services, shopping and employment not available in the

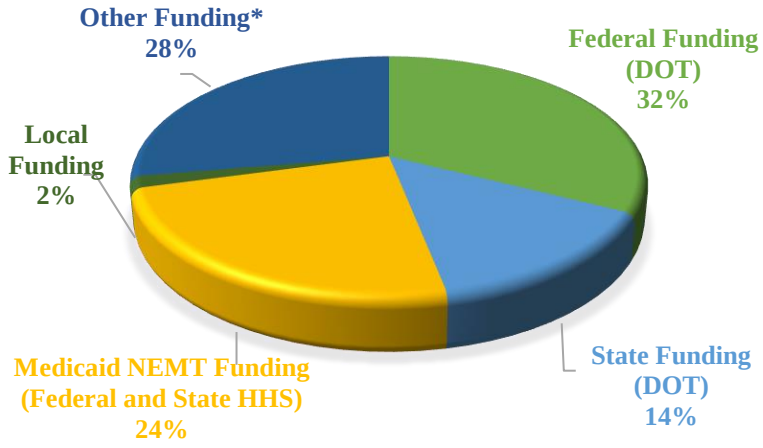
rural service area. NEMT generates 24% of PVTA's funding which is used for local match purposes, and the local contribution generates only 2% of PVTA's funding.

- Services Provided: NEMT accounts for 28% of PVTA's overall ridership. It generates a quarter of PVTA's operating budget—an essential funding source leveraged for the broader transportation services it provides. If NEMT were to be limited or eliminated, PVTA would be forced to slash its local services including transportation to workshops for people with disabilities, as well as transportation to shopping and medical appointments for individuals who cannot drive or lack transportation.

Co-dependency between Medicaid NEMT and local transportation organizations: The co-dependency between Medicaid NEMT and PVTA's general public routes and services are tightly interwoven and have been for many years. The NEMT services provided are an important part of the funding structure of PVTA and offer an indispensable service within its rural service area. Rural areas are unable to offer significant local funds for various reasons, including a scarcity of funds in low-income rural, parts of the state. Therefore, NEMT provides not only a much-needed service for the disadvantaged and those mobility impaired, but it also provides much-needed funding to sustain PVTA's services to the general public who depend on its services.

For PVTA, NEMT is a vital component of the success of its transportation services both for those accessing medical appointments and for the general population using the same fixed routes for a broader set of services. Limiting or eliminating the NEMT program would greatly reduce the quality of life those within the Potomac Highland region.

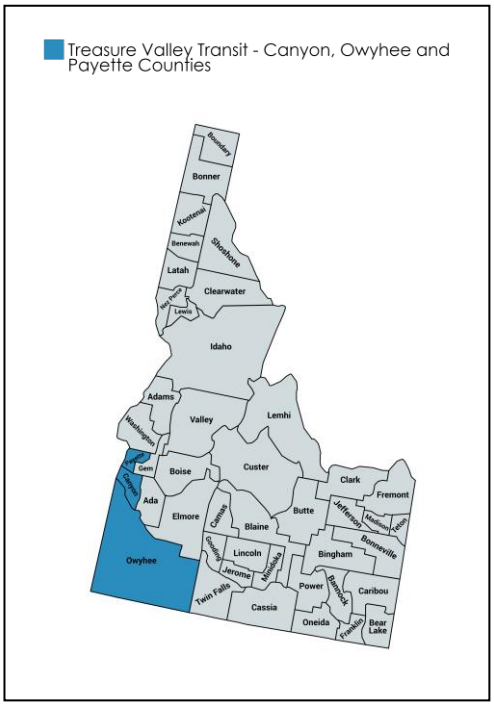
FIGURE 4. PVTA FUNDING BREAKDOWN



* Other funding may include contracts with counties to provide rides for a specific reason including workforce development, rides for aging population, or other commercial transportation.

West Virginia contracts with the State's Medicaid NEMT broker which, in turn, contracts with public transit and private transportation providers. Broker reimbursement rates are pre-determined based upon mileage and grouped in categories. PVTA operates within four levels of service: Ambulatory (individual), Wheelchair (individual), Ambulatory (group), and Wheelchair (group). The per mile reimbursement rate is based upon miles traveled within each group category. Reimbursement for necessary high mileage trips are negotiated with the state broker prior to accepting the trip.

Case Study 4: Idaho



Idaho is served by 80 regional transportation organizations that serve the state's 44 counties. For this paper, we interviewed Terri Lindenberg, the Executive Director at Treasure Valley Transit (TVT). TVT is a private non-profit public transportation company providing services to four counties with a combined population of 250,601. TVT provided approximately 137,000 annual rides in 2018 of which 42,000 (approximately 30% of the total) were for Medicaid NEMT.

Idaho Medicaid NEMT: The state of Idaho uses a statewide broker to manage NEMT for the state's 270,000 Medicaid beneficiaries. The broker subcontracts with transportation providers and is then responsible for providing coordination and management of statewide NEMT services for Idaho Medicaid eligible participants through the transportation network.

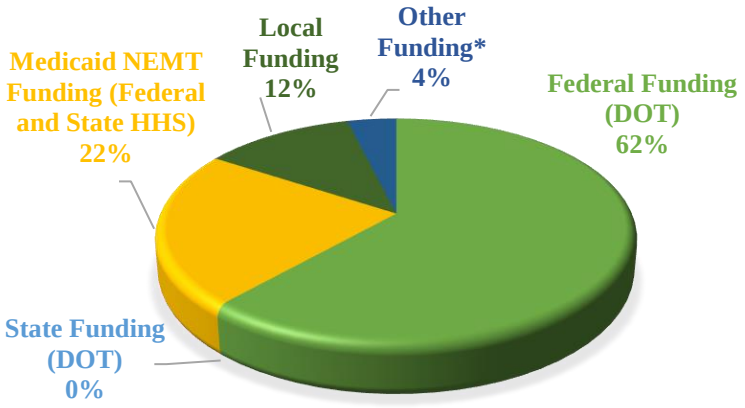
In Idaho, Medicaid NEMT covers transportation in state and out-of-state, to and from health care services, when those services are covered under the Medicaid State Plan or through waivers for participants who have no other means of transportation. While regional transportation providers in both Iowa and Vermont rely on state funding sources, the state of Idaho does not provide funding for transportation, so Medicaid NEMT contract revenue is used to leverage federal public transit investment.

Transportation Organization Challenges: When asked of the challenges to providing NEMT services, TVT mentioned the difficulty of managing "no-show" trips and challenges brought up from the transition of brokers.

- Lost Revenue due to "No-Shows": TVT has experienced a growing number of "no-shows." TVT keeps data on the no-show rate on a monthly basis. Approximately 9% of scheduled rides monthly are either canceled last-minute, or the rider is not present for her/his scheduled ride.
- Broker model: Idaho experienced initial difficulties with the broker model, including gaps in the transportation networks. This has led to the addition of certain provisions within the most recent contract that puts additional stresses on beneficiaries and transportation providers. One provision of note is that transportation providers have to renew rider eligibility for the NEMT benefit every 90 days. As stated earlier, many of the Medicaid beneficiaries are dealing with difficult diagnoses like mental illnesses or substance abuse disorder which makes eligibility renewals more difficult. TVT noted the high administrative burden of this requirement and worried that deserving beneficiaries might be losing NEMT.

Co-dependency between Medicaid NEMT and local transportation organizations. Due to the lack of state funding, transportation providers such as TVT rely heavily on NEMT dollars to provide transportation services. More than 20% of TVT's budget comes from NEMT match dollars (See Figure 3). Despite this, TVT, as an urban transportation operator, is financially restrained from providing services in rural/ mountainous areas. Cities also determine the fare structure further restricting transportation providers due to their primary federal transit funding source being constrained to urbanized areas. For example, TVT earns approximately $48,000 from fares compared to the $505,000 they earn from MTM (the state's NEMT broker) for providing NEMT. Without NEMT funds, transportation providers will have to limit services or increase fare structures to accommodate for loss in revenues.

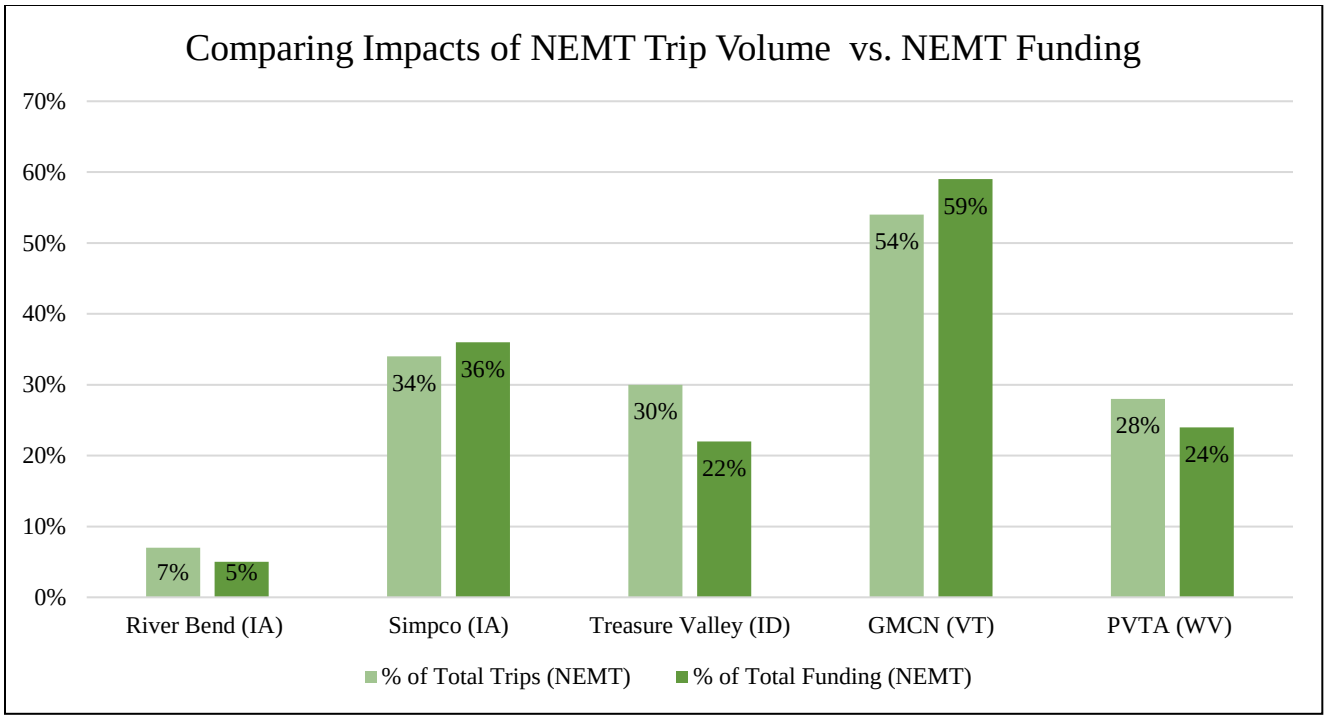
FIGURE 5. TVT FUNDING BREAKDOWN



* Other funding may include contracts with counties to provide rides for a specific reason including workforce development, rides for aging population, or other commercial transportation.

Additional Comments: Mississippi

For this paper we interviewed Charles Carr, the Intermodal Planning Director at the Mississippi Department of Transportation. Mr. Carr stated that the availability of the NEMT benefit goes a long way to help provide a comprehensive transportation network within a community because it provides a consistent source of local match money that is pooled with several other sources to expand services. In other words, NEMT diversifies the income sources that transportation organization have available to help pay for services across needy populations. Mississippi has significant poverty and people with high medical needs. Limited access to transportation deprives beneficiaries of preventative services and lowers overall health outcomes thus increasing emergency costs.



Additional Comments: Comparing Impacts of NEMT Trip Volume vs. NEMT Funding
Transportation providers vary widely both in the number of trips they provide for Medicaid NEMT and in the percentage of their funding they receive to theoretically cover those trips. The goal for public transit systems is to have the percentage of NEMT trips (out of total trips) match the percentage of funding they receive from Medicaid for those trips. When transit systems have a significant imbalance of more trips than revenue, those trips are most likely being subsidized by other revenue sources. For example 30% of Treasure Valley Transit's trips are Medicaid NEMT trips; however, Medicaid only accounts for 22% of their overall funding. This means that 8% of Medicaid NEMT trips are being funded (or subsidized) by another source.

A Note on NEMT Delivery Innovations

In recent years, technologies such as GPS and rideshare have created new opportunities to innovate the delivery of rides cost-effectively without the waits associated with fixed routes. The transportation organizations interviewed for this paper recognize the potential for rideshare companies such Lyft and Uber to participate in NEMT delivery. Indeed, an increasing number of NEMT brokers and states embrace rideshare and transportation innovations. However, these same transportation organizations serve geographies that are largely and entirely unserved by rideshare companies. Further, the populations served by transportation organizations—mentally and physically disabled, people with substance use disorder, elderly with mobility issues—are particularly vulnerable transportation access challenges and largely beyond the service capabilities of rideshare companies. As such, it is best to consider the services provided and populations served by rideshare and transportation organizations as two largely separate circles

with limited overlap. The growth of rideshare companies should not be misconstrued as lessening the need for local transportation organizations devoted to serving the hardest to serve.

Conclusion

Limiting the growth of expenditures is at the center of the policy debate on the future of Medicaid. Medicaid NEMT has been estimated at 1% or less of the Medicaid spending, but instances of subpar service and improper payments have had an outsized impact on discussion of the benefit. In recent years, two states have used Medicaid waivers to limit providing NEMT to their Medicaid expansion populations, and the Trump Administration remains rhetorically committed to allowing states to limit NEMT without even requiring a waiver. However, budding interest in social determinants of health and a general lack of data on NEMT makes this the wrong time to curtail the benefit. Indeed, as discussed above, in the states we examined, NEMT is offered to needy Medicaid beneficiaries by modestly resourced local transportation agencies. And, equally important, as we see in Iowa, lessening NEMT causes negative consequences beyond Medicaid – it reduces overall community mobility by withdrawing a key component in the finely balanced, coordinated public transportation model many communities have built.

This paper illustrates the negative consequences of eliminating the NEMT benefit beyond Medicaid by documenting the interconnectedness of Medicaid and local transportation services. Eliminating NEMT will substantially reduce the funding and services of local transportation providers, particularly in rural and underserved communities that already lack transportation access. NEMT provides a substantial amount of the annual budget of local transportation organizations—often greater than one-third. And this funding is, in two of three studied states, further leveraged for additional state transportation funds. This is another reason—and a particularly important one at that—why curtailing Medical NEMT is premature and unwise.

Study Authors: Michael Adelberg, Scott Bogren
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Provider	State	Counties	Population	Fleet Size	Medicaid Fleet Size	Annual Rides	NEMT Rides	% of Total Trips (NEMT)
River Bend (IA)	IA	4	275,584	72	72	180,065	15,493	7%
Simpco (IA)	IA	6	169,599	49	49	172,000	58,210	34%
Treasure Valley (ID)	ID	3	250,601	29	14	137,761	41,693	30%
GMCN (VT)	VT	2	78,463	36	17	197,380	105,890	54%
PVTA (WV)	WV	5	82,000	27	12	96,838	30,320	28%

Provider	Total Funding	Federal Funding (DOT)	State Funding (DOT)	Medicaid NEMT Funding (Federal and State HHS)	Local Funding	Other Funding	Fare Structure	% of Total Funding (NEMT)
River Bend (IA)	$3,280,601	$370,453	$364,405	$162,996	$30,372	$2,747,152	$4.50 per/mile	5%
Simpco (IA)	$4,151,000	$764,132	$452,246	$1,487,609	$145,000	$1,302,013	$4 + .50/mile	36%
Treasure Valley (ID)	$2,294,364	$1,385,888	0	$505,360	$268,522	$87,044	$47,550 annual	22%
GMCN (VT)	$4,239,691	$1,430,068	$158,896	$2,509,803	$40,405	$100,519	0.50/mile	59%
PVTA (WV)	$1,904,765	$618,125	$275,000	$455,064	$29,500	$527,076	Per Mile (NEMT rate varies per trip category and mileage)	24%