VERMONT

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MEMORANDUM

TO: Jeb Spaulding; Secretary, Agency of Administration (AOA)

FROM: Vicki Loner; Deputy Commissioner, Department of Vermont Health Access (DVHA)

THROUGH: Douglas Racine; Secretary, Agency of Human Services (AHS) CMO for DAR

DATE: May 15, 2012

SUBJECT: Approval for Sole-Source contract for:
Stagecoach Transportation Services, Inc. (Contract # 22157)
Duration: 07/01/12 – 6/30/13
Value of Contract: $938,123.81.

Through this memo, we are requesting approval for a one year contract (with the option to extend for two, one-year periods) for Non-Emergency Medical Transportation (NEMT) services. Our NEMT program provides transportation to medical appointments for Medicaid beneficiaries who do not have access to a vehicle. These services are delivered through contracts with 9 public transportation providers throughout the state. These providers serve as transportation brokers by receiving ride request calls, verifying eligibility and scheduling the transportation using the least costly mode of transportation appropriate for the beneficiary's medical needs. The brokers maintain volunteer driver networks and procure taxi and van services through sub-contracts.

This contract proposes a capitated Per Member, Per Month (PMPM) payment structure which is a major change in the way we contract for these services. In previous contracts, we allowed the contractor to directly bill Vermont Medicaid for all direct services (rides) provided to our members. In this new contract, all costs (direct and administrative) have been wrapped into a fixed PMPM amount. This new model provides a direct financial incentive for the contractor to carefully monitor utilization and always select the least costly means of transportation. We have established clear performance standards to ensure that the contractor is meeting its obligation to provide reliable high-quality services to our members. We anticipate that our statewide annual savings from this new payment model will exceed $500K in the first year and control inflation costs into the future.

The PMPM dollar amount was developed after a thorough review of each brokers operations and cost allocation methods. We developed an extensive list of spreadsheets, tables and graphs that

JUN 14 2012

allowed us to compare the performance and costs of each broker while also taking into consideration population densities, service area size and utilization statistics. We also reviewed our methodology with VTrans as well as Burns and Associates, a contractor with extensive experience with rate setting.

The performance standards are directly tied to financial penalties. Brokers will be required to answer calls quickly, accommodate 100% of all ride requests within 48 hours, submit monthly utilization reports and document and address all member complaints.

We are requesting permission to award this as a Sole Source contract. In each geographic region of Vermont, there is only one regional transit provider. Vermont's public transportation system is efficient, extensive and ready to meet the needs of our members. We believe there is no value in creating a duplicate transportation system for Vermont Medicaid members. A sole source contract will allow us to take advantage of our existing public transportation infrastructure and avoid duplicating services already available through the transit providers. The transit providers recognize that it is our priority to procure the most cost-effective contracts for these services. They negotiated with us in good faith to develop these contracts.

If you have any questions about this contract extension or our efforts to improve the NEMT program, please contact me or Bill Clark, Director of Provider and Member Relations. Bill can be reached at 879-5958.

The funding for this contract will be covered by the Global Commitment to Health Appropriations and complies with all mandatory provisions of AOA Bulletin 3.5.

AOA Approval: _____ 04/26/12