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GAO

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General Accounting Office
Washington, D.C. 20548

Health, Education and Human Services Division

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July 8, 1994

The Honorable Howard L. Berman
House of Representatives

Dear Mr. Berman:

This letter responds to your request that we examine whether Medicare coverage of other forms of medical transportation might be a cost-efficient alternative to ambulances in nonemergency situations.[1] We found that although nonemergency medical transportation vehicles cost substantially less than ambulances, adding coverage of these vehicles (1) would expand the number of persons receiving Medicare transportation benefits, (2) may add to Medicare costs, and (3) would not address problems of abuse of transportation benefits. We are also providing information on Medicare beneficiaries who receive dialysis treatments. These beneficiaries constitute a small portion of the beneficiary universe but are high users of ambulance services.

As you requested, we also explored medical transportation benefits provided under other government programs. We found that, while some government programs offer nonemergency transportation, the rationale for this coverage does not include an effort to achieve cost savings. Finally, although Medicare beneficiaries who find nonemergency transportation costs difficult to pay out of pocket would certainly welcome coverage of these costs, programs such as Medicaid already pay the nonemergency medical transportation costs of many low-income Medicare beneficiaries.

[1]Nonemergency medical vehicle transportation includes ambulettes and wheelchair vans; taxicabs and private vehicles; and public vehicles, such as buses.

BACKGROUND

The Medicare program is administered by the Health Care Financing Administration (HCFA), Department of Health and Human Services (HHS). HCFA data show that, in fiscal year 1992, Medicare benefit payments totalled $129 billion, of which more than $1 billion was for ambulance services.[2] By law, payments for Medicare medical transportation expenses are limited to ambulance services. Payment amounts vary depending on the geographic area where services are provided and whether a basic ambulance or an advanced life support ambulance (containing specialized life sustaining equipment) is used. Although other modes of medical transportation exist, they are not reimbursed under Medicare.

For ambulance services to be covered, (1) the ambulance trip must be an emergency or (2) the patient's condition must be such that other means of transportation would endanger the person's health. Furthermore, the patient must be traveling to or from a hospital or skilled nursing facility.[3]

Proponents of adding coverage of nonemergency medical vehicles suggest that this could reduce Medicare expenditures. They state that the cost of transportation in nonemergency vehicles is substantially lower than the cost of ambulance transportation and some Medicare patients who now use ambulances could use these less costly nonemergency vehicles. They also claim that Medicare's limited coverage of transportation services is not

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[2]This data probably understates Medicare payments for ambulance transportation. Some ambulance claims are paid using local codes that are not captured as ambulance services in Medicare's national data bases. For example, from January through June 1993, Blue Shield of Illinois, the Medicare claims processing contractor for Illinois, used local codes to record payments for nighttime ambulance services. During this period, about $2.4 million (34 percent) of $7.2 million in ambulance payments was recorded under these local codes.

[3]A renal dialysis facility in or adjoining a hospital can also meet the destination requirements for ambulance services.

consistent with coverages under other federal programs such as Medicaid.

AMBULANCE COSTS ARE CONSIDERABLY HIGHER THAN NONEMERGENCY VEHICLE COSTS

Charges for ambulance services are considerably higher than charges for other forms of medical transportation. Table 1 shows examples of charges by medical transportation companies in Chicago, Illinois, and Connecticut. It also shows the amounts that Medicare allows for basic ambulance service and transportation company charges for nonemergency medical vehicles. Nationally, the average Medicare-allowed amount for ambulance services is about $122 per trip plus mileage. Because Medicare does not reimburse medical transportation for persons who can safely use nonemergency vehicles, Medicare-allowed amounts for these services do not exist.

Table 1: Comparison of Basic Ambulance and Nonemergency Medical Vehicle Charges in 1994

	Basic ambulance		Nonemergency
Company	Charges	Maximum amount Medicare allows[a]	Nonemergency medical vehicle charges
Chicago			
A	$150 + $6 per mile	$122 + $4.58 per mile	$30 + $2.50 per mile
B	$170 + $7 per mile	$122 + $4.65 per mile	$40 + $3 per mile
C	$155 + $6 per mile	$122 + $4.65 per mile	$35 + $3 per mile
Connecticut			
A	$268 + $7.60 per mile	$210 + $6.06 per mile	$64 + $5.30 per mile
B	$250 + $7.50 per mile	$183 + $5.47 per mile	$67 + $4.40 per mile
C	$193 + $5.70 per mile	$165 + $4.45 per mile	$56 + $3.80 per mile

[a]Medicare allows the lowest of the actual charge, customary charge, or prevailing rate as determined by the Medicare claims processing contractor. Medicare pays 80 percent of this amount and the beneficiary is responsible for the remainder.

MEDICARE COVERAGE OF NONEMERGENCY VEHICLES MAY INCREASE PROGRAM COSTS

Although the cost of nonemergency transportation vehicles is lower than ambulances, providing coverage for these vehicles would not assure Medicare expenditures would be reduced. In fact, covering nonemergency transportation would be a new benefit which could be expected to make many new beneficiaries eligible for Medicare transportation services. The cost of these new beneficiaries would likely exceed savings achieved from persons who shift from emergency to nonemergency vehicle transportation. In addition, payment abuse involving medical transportation

has been a significant problem in the past. The new coverage would also be subject to such abuse.

If nonemergency transportation coverage could be limited to those beneficiaries who currently use ambulance transportation and could use ambulettes or other nonemergency medical vehicles (that is, persons receiving Medicare transportation benefits who are not eligible for these benefits), savings could occur. But restricting Medicare coverage in this way would be very difficult to accomplish. Rather, covering nonemergency transportation would, more than likely, make many other beneficiaries eligible for transportation benefits--those who need medical transportation but do not need ambulances. Washington's Medicaid program, for example, spent $13.8 million on medical transportation in 1992. Of this, $8.8 million (64 percent) was for nonambulance transportation.

If coverage of nonemergency transportation services is to reduce Medicare expenditures, the cost of new beneficiaries made eligible by the expanded coverage would have to be offset by reduced use among those currently receiving ambulance services in violation of Medicare law. Indeed, many persons who currently are ineligible for, but nevertheless receive, Medicare ambulance benefits would have to begin using lower-cost nonemergency vehicles. Even if this occurs, it is unlikely that these savings would offset the costs of additional beneficiaries using nonambulance services.

While adding Medicare coverage of nonemergency transportation should decrease unauthorized ambulance use, abuse by transportation suppliers involving deliberate attempts to increase payments from Medicare is likely to continue. For example, in cases where ambulance services are provided to assist patients who would have financial difficulties paying for services out of pocket, behavior may change. On the other hand, because reimbursement for ambulances is substantially higher than for nonemergency transportation vehicles, suppliers who now abuse this Medicare benefit for financial gain are not likely to accept less reimbursement by submitting only claims for nonambulance services. Furthermore, there is the possibility that persons submitting claims for nonemergency transportation vehicles may abuse restrictions on the use of these vehicles. Strong payment safeguards would be needed to identify and reduce abuse of the new benefit.

HCFA, HHS' Office of the Inspector General (OIG), and Medicare contractor officials acknowledge that Medicare sometimes pays for ambulances when patients are not eligible for the ambulance transportation benefit. OIG and Medicaid officials point out that although Medicaid covers transport in nonemergency medical vehicles, this does not preclude inappropriate charges for ambulances or for unnecessary nonemergency vehicle services. For example, following an investigation by the HHS' OIG, Railroad Retirement Board Office of Investigations, and Indiana Attorney General's Medicaid Fraud Control Unit, an Indiana ambulance company pleaded guilty in 1993 to submitting fraudulent transportation claims to both Medicare and Medicaid. Among other things, the company altered documentation for beneficiaries who were ambulatory or in wheelchairs to show that the beneficiaries needed transport by stretcher. It then billed for the more costly service. Similarly, two companies in Minnesota were guilty of coding for ambulance services when nonemergency vehicles were used. Medicare and Medicaid ambulance reimbursements amounted to as much as $198 per trip, as compared with Medicaid payments for nonemergency transportation of about $16 (excluding mileage).

MEDICARE COVERAGE OF NONEMERGENCY TRANSPORTATION FOR DIALYSIS PATIENTS

One group of Medicare beneficiaries that has been cited by supporters of coverage of nonambulance transportation is patients who receive dialysis treatments. Although dialysis patients are a small portion of Medicare beneficiaries (about 144,000 out of 35.5 million in 1992), they are disproportionately high users of ambulance services. A study published in 1991[4] found that only 0.4 percent of Medicare ambulance users are dialysis patients, but that these individuals are nearly 10 times more likely to use ambulance services than the general Medicare population. This results in part because a small portion of dialysis patients routinely receive ambulance benefits for their required 3 visits to dialysis centers each week.

It is uncertain how many dialysis patients who receive ambulance services under Medicare's second coverage

[4]An Analysis of Medicare Expenditures for Ambulance Services, Project HOPE (Health Opportunities for People Everywhere) Center for Health Affairs (Oct. 21, 1991).

criteria--other means of transportation would endanger the person's health--are good candidates for transport by other vehicles. To the extent the health of these persons would be jeopardized by using nonemergency services, they would not likely switch to such vehicles. The OIG and HCFA are performing related studies concerning dialysis patients so we did not pursue this matter. OIG's report is expected in June 1994; HCFA's estimated study completion date is December 1995.

GOVERNMENT PROGRAMS DIFFER CONCERNING COVERAGE OF MEDICAL TRANSPORTATION VEHICLES

Some government health insurance programs cover other forms of medical transportation as well as ambulances. However, the reasons for these coverages do not include efforts to reduce medical transportation costs.

Medicaid, for example, covers nonambulance transportation to and from medical providers because people on Medicaid have low incomes. The presumption is that they would not have access to care unless transportation is provided. Also, the Department of Veterans Affairs (VA) covers medical transportation, including services in nonemergency vehicles, for individuals meeting certain qualifying conditions. For example, individuals could be eligible if they have a service-connected disability or meet income requirements. VA officials pointed out that this benefit is repayment for service to the country and/or compensation for an injury incurred during active military service--not a cost-saving measure.

Generally, the Federal Employees Health Benefit Plan and the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) medical transportation coverage is similar to Medicare. The 16 federal employee plans that we reviewed limited medical transportation coverage to ambulances. CHAMPUS has one exception to this policy. It allows mileage payments when handicapped dependents of active duty personnel are transported to medical or therapeutic facilities in privately owned vehicles.

SUMMARY

Charges for ambulances are much higher than charges for nonemergency medical vehicles. Additionally, ambulances are sometimes used when these vehicles are unnecessary. Nevertheless, because providing coverage for the use of

nonemergency medical transportation vehicles would most likely make considerable numbers of additional beneficiaries eligible for transportation benefits, it is unlikely that this coverage would reduce Medicare expenditures.

Currently, persons who could safely travel in nonemergency medical vehicles are not eligible for transportation reimbursement under Medicare. Coverage of nonemergency transportation cannot realistically be restricted to those ineligible individuals who currently do receive Medicare payment for ambulance service. Yet this is what would have to occur for the addition of this new benefit to reduce Medicare expenditures. More likely, this coverage would add a substantial volume of new Medicare claims and costs. Additionally, because of higher reimbursements associated with ambulances, unnecessary use of these vehicles would probably continue even if lower-cost nonemergency vehicles were covered. Moreover, the newly covered nonemergency vehicles also would be subject to considerable abuse.

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To develop the information contained in this letter, we examined the potential costs and benefits of adding nonemergency medical transportation coverage to Medicare. We also explored what transportation services are covered by other government programs and the rationale for these benefits.

To assess the probable costs and benefits of providing Medicare coverage of nonemergency medical transportation, we discussed this issue with officials representing HCFA; OIG; Medicare contractor officials responsible for processing ambulance claims; the Project HOPE Center for Health Affairs[5]; and private industry. We also obtained and analyzed pertinent documentation from these organizations.

To assess the medical transportation benefits provided under other government programs, we examined benefits provided under Medicaid, VA, the Federal Employee Health Benefits Plan, and CHAMPUS. Our work was performed from

[5]Project HOPE is a nonprofit health education and research foundation. In 1991, Project HOPE completed an extensive analysis of Medicare expenditures for ambulance services.

January to May 1994 in accordance with generally accepted government auditing standards.

If you have any questions regarding this information, please call me on (202) 512-7119 or Thomas Dowdal, Assistant Director, on (410) 965-8021.

Sincerely yours,

Sarah F. Jaggar
Director, Health Financing
and Policy Issues

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