

Alaska State Legislature Legislative Budget & Audit Committee

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Representative Mike Hawker, Chairman

MEMORANDUM

TO: Legislative Budget and Audit Committee

FROM: Representative Mike Hawker, Chairman 
Legislative Budget and Audit Committee

DATE: December 2, 2016

RE: Medicaid and Children's Health Insurance Program Travel Cost Audit

I respectfully request members of the Legislative Budget and Audit Committee approve an audit of Medicaid and Children's Health Insurance Program travel costs as described below.

BACKGROUND: Medicaid is a joint federal and state program that covers medical costs for individuals with limited income and resources. The Children's Health Insurance Program (CHIP) is an extension of the Medicaid program, which provides health coverage to eligible children. States are responsible for the daily operations of the Medicaid and CHIP programs and have discretion in how the services are delivered within federal guidelines. In Alaska, the programs are administered by the Department of Health and Social Services (DHSS). DHSS contracts with a fiscal agent to process medical claims using the Alaska Medicaid Health Enterprise System.

In addition to medical services, Medicaid and CHIP provide coverage for transportation to/from medical services. In FY 16, total Medicaid travel costs were approximately \$80 million. Recipient airfares procured through the state travel office constituted approximately 57 percent of FY 16 Medicaid travel expenditures. The remaining airfare, hotel, and ground transportation services were procured by DHSS or its fiscal agent.

A recent legislative audit of the state travel office found that, due to the significant rate of canceled and rebooked airfare tickets, DHSS management established a policy to purchase high cost refundable airfares for Medicaid and CHIP recipient air travel. This policy has not changed since it was established over a decade ago and no support was provided during the recent audit to justify the policy. Additionally, that audit found that 75 percent of Medicaid and CHIP nonemergency air travel procured through the state travel office was purchased within six days of travel, resulting in higher costs.

PURPOSE OF AUDIT: Determine if there are ways to reduce Medicaid and CHIP travel costs with the following specific objectives:

- Identify Medicaid and CHIP travel expenditures from FY 14 through December 2016 and report the top 15 travel providers with the highest expenditures for FY 16. Identify procurement efforts that have been made or could be made to leverage the state's

purchasing power to reduce travel costs for the most significant providers or types of purchases.

- Determine whether the prior authorization and referral process for Medicaid travel could be improved to ensure the lowest travel costs are obtained with the emphasis on booking travel in advance when possible. As a part of this objective, review ticket cancelations and reissuances.
- Determine whether changing policy to purchase non-refundable tickets will reduce travel costs.
- Determine whether the Alaska Medicaid Health Enterprise System edit controls over travel transactions are adequately designed to prevent improper payments.
- Test a sample of travel transactions for reasonableness and proper support.
- Determine if DHSS' use of telemedicine effectively maximizes travel cost reductions.
- Follow-up on any other related concerns the Legislative Auditor identifies during the audit.