

MINUTES OF DIRECTORS MEETING

LANE TRANSIT DISTRICT

SPECIAL BOARD MEETING

Friday, March 4, 2016

Pursuant to notice given to *The Register-Guard* for publication on February 28, 2016, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District held a special Board meeting on Friday, March 4, 2016, beginning at 2:00 p.m., at the LTD Board Room, 3500 E. 17th Avenue, Eugene, Oregon.

Present: Gary Wildish, President
Carl Yeh, Vice President
Julie Grossman, Secretary
Ed Necker, Treasurer
Donald Nordin
Angelynn Pierce
Gary Gillespie

Aurora (A.J.) Jackson, General Manager
Jeanne Schapper, Clerk of the Board
Lynn Taylor, Minutes Recorder

CALL TO ORDER/ROLL CALL: Mr. Wildish convened the meeting at 2:02 p.m. and called the roll. All Board members were present, with the exception of Mr. Nordin who arrived at 2:10 p.m.

PRELIMINARY REMARKS BY BOARD PRESIDENT: Mr. Wildish thanked everyone for attending the special meeting.

ANNOUNCEMENTS AND ADDITIONS TO THE AGENDA: There were no announcements or additions to the agenda.

MEDICAID BROKERAGE NON-EMERGENCY MEDICAL TRANSPORTATION (NEMT) SERVICES: Ms. Jackson stated that the purpose of the meeting was to follow up on the Board's previous discussions regarding operations of the Medicaid program and operating deficit trend in non-fixed-route services. She said that an overview and history of the coordinated care organization (CCO), non-emergency medical transportation (NEMT) operations, and brokerage alternatives would be presented. The Board would then be asked for guidance and direction as staff proceeded with negotiations to ensure that LTD was managing the program correctly, and that there were no substantial financial impacts to the District.

Finance Manager Todd Lipkin said that the budget included four funds: 1) the General Fund, which primarily funded the fixed-route service; 2) the Capital Fund, which funded capital

projects; 3) the Accessible Services Fund; and 4) the Medicaid Fund. He said that the last two funds, which support non-fixed-route services, would be the focus of the meeting.

Accessible Services Fund: Mr. Lipkin explained that the Accessible Services Fund covers both metro and rural services. He distributed two documents: 1) *Accessible Services Fund: Fiscal Year 2015-2016* and *Medicaid Fund: Fiscal Year 2015-2016*. He said that the primary Eugene-Springfield metro services are ADA (Americans with Disabilities Act) paratransit services, which LTD is required to provide. Services are delivered through RideSource, along with many other complementary services that are partially grant funded. LTD pays for 90 percent of ADA trips but only 30 percent of complementary services with a grant component. He said that complementary services include the *Shopper* service; services for the developmentally disabled; Pearl Buck pre-school service; *Crucial Connections*, veterans' services; travel training and host services that assist disabled individuals with using the fixed-route service; and White Bird Clinic mental health transportation service. He said that LTD also conducts transportation assessments in the metro area to determine the best transportation options for individuals.

In response to a question from Ms. Grossman, Mr. Lipkin clarified that LTD provides 90 percent of the funding for ADA services and 30 percent match funding for other complementary services. He said that LTD also acts as the pass-through agent for the Oregon Department of Transportation (ODOT) Special Transportation Fund (STF) dollars for rural services such as the Diamond Express and South Lane Wheels. No General Fund dollars are involved.

Mr. Wildish asked if LTD is involved in providing services in the Cottage Grove area. Mr. Lipkin replied that in the past, LTD was the pass-through agent for 5311 rural funds. Several years ago, Cottage Grove became a direct recipient of those funds, and now LTD only provides a small amount of STF funds. For other rural services, LTD manages the vehicles and provided preventive maintenance.

Medicaid Fund: Mr. Lipkin said that there are two types of Medicaid services that flow through the fund. The waived program is an alternate program for Oregon Health Plan (OHP) clients who stay in their homes in lieu of moving into an assisted living facility that provides non-medically related transportation; LTD provides a 30-percent match. If not for the waived program, trips for those OHP clients would fall under ADA eligibility, which is more expensive, and LTD would be funding 90 percent of the service. The primary program within the Medicaid Fund is the NEMT service. He said that there are two contracts: the first is with the State Department of Human Services (DHS) on a fee-for-service basis that reimburses LTD \$31.00 per trip. He said that the nature of these trips is the same for both the waived program and for the services provided under contract with Trillium; the difference being in how they are funded and how trips are referred. Under the DHS contract, quarterly reviews and annual reconciliations adjust the fee per trip to assure that costs are covered. Once the CCO model went into effect in 2013, under the contract with Trillium, LTD was paid a per-member/per-month (PMPM) rate. He said that under the current 12-month contract for 2015, that rate is \$7.00. He said that this method allows Trillium to better anticipate costs; but for LTD, it only accounts for an increase in membership, not an increase in utilization of the service. This is the primary driver for the operating deficit.

Accessible and Customer Services Manager Cosette Rees explained that NEMT is a service provided to low-income individuals who qualify for medical services through Medicaid but have difficulty accessing those services because they lack transportation. She said that if necessary medical services are not available locally, LTD transports those individuals out of the area, and sometimes out of state, as needed. She said that the NEMT service does not include emergency transportation. Service is provided under the least-cost/most-appropriate transportation model. She explained that the NEMT service includes competitive contracts with private providers in order to have the necessary capacity and also a brokerage operation that leverages efficiencies with other transportation programs.

Ms. Rees said that prior to 2008, DHS provided NEMT services directly through providers; OHP members selected a provider, and that provider billed the DHS for the service. There was no opportunity to achieve efficiencies or control costs using that approach. In May 2008 LTD began contracting with DHS to provide the NEMT service, and created the brokerage within the RideSource Call Center in order to provide an integrated service and realize efficiencies by grouping trips, sharing costs, and making it simpler for the consumer. The contract with DHS was on a per-ride rate. She explained that in 2013, NEMT services shifted from DHS to CCOs; and in July 2013, the local CCO, Trillium, began contracting with LTD to provide the service. She said that under the Trillium contract, LTD expanded modes, including mileage reimbursement, and was paid a per-month rate instead of a per-ride rate. The Trillium contract provided for annual renewals. In January 2014 the Affordable Care Act (ACA) mandated health insurance for everyone, which significantly increased the number of people who qualified for Medicaid services, including transportation services. Trillium's marketing of the services resulted in a surge in awareness and use of those benefits. Ms. Rees said that LTD's model, which allows an individual to call one number to access service, regardless of how that service is funded, has been recognized nationally as the gold standard for providing service.

Ms. Rees described a number of changes in Medicaid. She used a graph to illustrate the average Trillium enrollment since 2013 through the present, demonstrating a dramatic increase in the number of people eligible for service and demonstrating how the operating deficit began to grow. She also used a graph to illustrate the growth in use of transportation benefits from 2008 through 2015. She said that LTD could control many aspects of program costs and realize efficiencies and cost savings, but had no control over utilization. Reimbursement continues at a flat PMPM rate, but increasing use of the service has increased LTD's costs and impacted its budget.

In response to a question from Mr. Yeh, Mr. Lipkin explained that LTD had moved from a per-ride payment arrangement to a PMPM payment arrangement because that is Trillium's funding model and it has no mechanism for paying a per-trip rate.

Mr. Lipkin pointed out that the total cost of the program had grown since its inception. He said Trillium's mandate has been to continue to reduce costs even as services increase. He said there was a 40 percent increase in Fiscal Year 2014-2015 trip counts, and an additional 55 percent increase realized once a full year of ACA was completed. He said that the major cost factor has been the number of trips, although distance has also been a factor. Other cost drivers include brokerage operations, assessments, and LTD administration, although they had remained relatively flat as LTD strives to control those costs.

Mr. Yeh asked how the \$7.00/PMPM fee was determined. Mr. Lipkin replied that the fee was based on calculations of historic costs. The calculations resulted in a cost of \$6.75 PMPM, and LTD proposed \$7.00; although that did not anticipate the astronomical growth in the number of members and use of the transportation benefit. He said that the disparity between the growth of members and the growth of trips resulted in the widening gap as usage increased.

Mr. Gillespie asked if Trillium receives funding from DHS. Mr. Lipkin said that Trillium receives a PMPM rate to fund Medicaid member services. He said that he does not know what that rate is because of how funds are categorized. He stated that he would provide that information to the Board at a later date.

Mr. Lipkin explained that Governor Kitzhaber's health reform in 2013 moved Medicaid servicing from the State to a more localized, regional program within the CCO system. Trillium was designated as the local CCO through a competitive process.

Mr. Lipkin indicated that costs had grown beyond expectations since the CCO model was implemented, primarily because of expanded eligibility and better marketing of services. He said that Trillium prefers the PMPM model because that is how they are funded and how they fund contractors. In LTD's case, that has created problems because the District has much less control over costs than other contractors, and the PMPM model does not connect with the primary cost driver. He said that a per-ride fee has been preferable; but if that was not possible, LTD has communicated its desire for a method for analyzing and recouping costs if they were not covered by the PMPM as utilization increases. He said that for Calendar Year 2015, the gap was just under \$1 million; the 2016 projection, based on the current \$7.00 PMPM rate, is a \$120,000 gap per month.

Mr. Lipkin said that staff presented a proposal to Trillium based on membership rates, number of trips per member, cost per trip, and allowance for building a reserve fund to address fluctuations during the year. Also proposed was a quarterly review and renegotiation process similar to the DHS contract for a per-ride rate. Staff also factored in the historical 12.6 percent increase each six months in the number of trips per member to provide some protection.

During a meeting earlier in the week, Trillium indicated its books were closed for 2015 and nothing could be done about the almost \$1 million gap. Trillium also could not guarantee that a contract would cover all of LTD's costs, but acknowledged that LTD could not continue to lose money on the service. Mr. Lipkin said that Trillium was willing to enter into a six-month contract from January 1 to June 30, 2016, retroactive to January 1, while a long-term funding mechanism was developed. He received a proposal from Trillium just prior to the Board meeting; and while staff had not had an opportunity to review and analyze it, it did appear to be more reasonable than the current PMPM rate and to be responsive to LTD's concerns. He said that the proposal was based on the PMPM model and was the basis for further negotiations.

Ms. Grossman questioned why Trillium was not able to cover 100 percent of the costs of providing services. Mr. Lipkin said the proposal, while it did not guarantee 100 percent of costs, allowed some room for renegotiation if trips and costs exceeded a certain level. Staff would analyze the proposal and provide that information to the Board directly. He said that Trillium has declined to enter into a contract similar to the State's that provided for

reconciliation after the end of the year to fund any deficit. Trillium expected LTD to control costs.

In response to a question from Mr. Nordin, Mr. Lipkin stated that the \$1 million deficit last year could not be recovered. He said staff would analyze Trillium's proposal for continuing services and begin negotiation, but would not recommend the proposal to the Board if it was unlikely to cover LTD's costs.

Ms. Pierce asked if Trillium understood that the \$1 million deficit, and any future deficits, was coming out of taxpayers' pockets. Mr. Lipkin indicated that they understood.

Ms. Jackson relayed that LTD's initial proposal was somewhat high and included a reserve to protect LTD against unanticipated costs. She said that she wants the relationship with Trillium to evolve as it moves from being a non-profit to a for-profit entity. She said that Trillium might have perceived the proposal as being inflated, but LTD could not charge a rate that was higher than actual cost because the District is not in the business of making money. The proposed rate was intended to provide Trillium with a predictable amount. These were issues that would be discussed during negotiations. She clarified that the proposal did not specify the length of the contract, which would typically be 12 months; but Trillium indicated that it was willing to consider a six-month contract if necessary in order to develop a long-term solution to the funding gap; and Trillium would make the contract retroactive to January 1, 2016.

Mr. Nordin commented that Centene Corporation, which had just purchased Trillium, was a rapidly growing, for profit organization. LTD's funds were taxpayer dollars supporting local transportation options. He said that he did not think it was fair for Trillium to make a profit on the LTD contract at taxpayer's expense. He questioned if LTD should agree to a contract that would make Trillium more profitable, or decide not to provide the service, thereby lessening services for all of the community.

Ms. Grossman affirmed that 100 percent of LTD's cost for providing services should be covered.

Mr. Wildish recognized that the transition from non-profit to for-profit was challenging for Trillium. LTD is not interested in making a profit on provision of services but should not be subsidizing those services either. LTD is committed to providing transportation services to the 250,000 people in its district and should not take risks. He indicated that he liked the idea of a six-month contract and suggested closely monitoring trends during that period to protect LTD from future deficits. He said that he hoped LTD could continue its relationship with Trillium because LTD had developed a cost-effective and efficient program that served the community well.

Mr. Lipkin said that if the Board directed staff to move forward with negotiations, the goals would be:

- Negotiate a rate that would cover costs
- Establish a reserve
- Hold quarterly reviews with an opportunity to renegotiate should utilization be out of control

- Continue to collaborate on trends, using Trillium's extensive data, to obtain better outcomes for the community

Mr. Lipkin said that the current brokerage contract required a 90-day termination notice. If LTD decided not to continue with the contract, Trillium had other provider options. He said that a potential impact on LTD if Trillium used another provider was called "ADA dumping." That occurred when a provider of Medicaid service pushed all of the ADA-eligible Medicaid client's toward ADA trips, which would significantly increase LTD's costs for ADA services.

In response to a question from Mr. Wildish, Ms. Jackson said that the current contract had an automatic renewal clause, so it remained in effect for 2016 at the current rate. Staff were proposing that LTD enter into a six-month contract from January 1 to June 30, 2016, with a higher rate that would be retroactive to the beginning of the contract, thereby allowing LTD to recoup some of its costs. She said that she understood that the Board would not want to extend a contract longer than six months without terms that were more favorable to LTD.

Ms. Grossman asked if there were variable cost factors other than membership that accounted for the increased costs of providing the service, such as out-of-town trips. Mr. Lipkin said those had some impact, but the major factors were increased membership through ACA and much higher utilization of services.

Mr. Wildish asked if it would be prudent to give notice of cancelation of the contract. LTD legal counsel Dwight Purdy said that it might be prudent to enter into a six-month contract and give notice at the three-month point on April 1, 2016; while at the same time, conveying that LTD was still willing to negotiate but did not want to be bound to terms unless its costs were covered.

Ms. Jackson observed that the Board and staff seemed in agreement that entering into a six-month contract with Trillium was in everyone's best interest to provide some stability, while also indicating LTD's interest in continuing the partnership. She said that the Board would need to consider how to cover the cost of the nearly \$1 million deficit accrued to date and the impact to LTD if the District should enter into a six-month contract with Trillium then issue a notice of cancelation at the end of three-months. She said that one major potential impact could be passenger dumping during the transition period as many users with dual eligibility would continue to use the brokerage at a higher cost to LTD if the Trillium subsidy was no longer available. She said that she saw some benefit to trying to work with Trillium to continue the partnership with known risks, whereas the risks of discontinuing the contract were unknown because of the likelihood that many passengers would continue to use the Call Center to arrange transportation, with LTD assuming the majority of the cost. She pointed out that terminating the contract on June 30, 2016, would not prevent the deficit from continuing and could escalate it.

Mr. Wildish conceded the most appropriate/least cost model did come with some risks.

Ms. Pierce asked if a six-month contract could include provisions for a shorter cancelation period, such as 30-days, so that LTD would not be in the position of negotiating a new contract and then immediately giving notice of termination. She said that Trillium had been a good community partner and she did not want to damage that relationship. She reiterated that the LTD Board was responsible for being good stewards of taxpayer money.

Mr. Nordin asked if there was any mechanism for controlling noncompliance by members, such as calling for a ride and not showing up or using more expensive transportation when alternatives were available. Ms. Rees said that the program model identified and prevented potential abuse by members through verification of the need for transportation and that the transportation was used appropriately. She said that the local brokerage also was able to take a holistic view of the system and identify abuses that were then brought to Trillium's attention. She said there was not an existing mechanism for dealing with "no shows" and LTD would work with Trillium to create more options for collaborating on reduction of costs. She said that some abuse did occur, but it was not widespread in the program.

Mr. Necker supported Ms. Pierce's suggestion to enter into a six-month contract with a shorter timeframe for cancelation notification. He said that he hoped to continue LTD's relationship with Trillium.

Mr. Yeh concurred with Mr. Necker on negotiating a six-month contract with a shorter cancelation notification period. He said that LTD was not obligated to provide the services, but it was the right thing to do--although not at LTD's financial risk. He suggested that the general manager could be directed to negotiate a contract that covered LTD's costs, established a reserve, and contained a shortened termination notice period.

Ms. Grossman agreed with the previous speakers about the reasons to maintain a partnership with Trillium and offer the best possible service to the community. She said that she did not want any financial compromises, and all contract language should assure that LTD was made whole.

Ms. Jackson asked if making LTD whole also meant recouping the \$1 million deficit from 2015. Ms. Grossman said the previous deficit should not be included as the books were closed; the Board would need to decide how that should be addressed. She said that all of LTD's costs should be covered moving forward. She added that it was important to establish a reserve if cost reconciliation could not be negotiated in the new contract.

MOTION Mr. Gillespie moved that the LTD Board of Directors authorize the general manager to negotiate a contract with Trillium Community Health Plan for Non-Emergency Medical Transportation for a six-month period from January 1, 2016, to June 30, 2016, incorporating the components of the Board's discussion, which are to renegotiate an opt-out clause of between 30 and 60 days, include coverage of LTD's actual costs and reserve fund, and include a mechanism for reconciliation of costs. Ms. Pierce provided the second.

Mr. Wildish said that it appeared the Board was interested in coming to agreement with Trillium to extend the partnership, work collaboratively, cover costs, and provide needed services but not at significant additional expense to LTD.

Mr. Gillespie said that it was ironic that LTD was a victim of its own success. The program LTD developed was considered a national model and Trillium's cooperation in that model enhanced its reputation. He urged both parties to move forward in the spirit of collaboration.

Mr. Nordin said that he hoped that LTD could continue to partner with Trillium to provide services to the community, but he did not want to see Centene Corporation make money for investors by transferring public money into private profit.

Mr. Wildish agreed that the partnership needed to work well for both sides and that a contract should benefit both sides and the community.

VOTE

The motion was approved as follows:

AYES: Gillespie, Grossman, Necker, Nordin, Pierce, Wildish, Yeh (7)

NAYS: None

ABSTENTIONS: None

EXCUSED: None

ADJOURNMENT: Mr. Wildish adjourned the meeting at 3:45 p.m.

LANE TRANSIT DISTRICT:

ATTEST:



Julie Grossman
Board Secretary



Jeanne Schapper
Clerk of the Board

Date Approved: 4/25/16