



The Commonwealth of Massachusetts

Office of the Inspector General

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February 14, 2012

Mr. John Jenkins
Chairman of the Board of Directors
Massachusetts Bay Transportation Authority
Ten Park Plaza, 3rd Floor
Boston, MA 02116

Dear Chairman Jenkins:

I am very supportive of the Massachusetts Bay Transportation Authority's (MBTA) current exploration of ways to reduce the ballooning costs of the \$112 million annual RIDE¹ program that, according to the MBTA, are growing 16% annually. Secretary Richard Davey, during his tenure as the MBTA's General Manager, referred to the rising costs of the RIDE as a "budget buster" for the MBTA. This past summer, MBTA staff took an important first step in this challenging effort to reduce costs while maintaining service access and quality when it presented possible cost savings options to the Board of Directors. I fully agree with the comment you made, Mr. Chairman, at that meeting that "everything should be on the table" regarding RIDE costs and efficiencies.

The convening of Governor Patrick's "Paratransit Services" Commission² also has great potential for improving efficiency and reigning in the costs of a necessary but, increasing expensive paratransit network that includes the RIDE, Medicaid funded paratransit operations managed through the Executive Office of Health and Human Services (EOHHS), other EOHHS agency transportation programs, paratransit services managed by the regional transit authorities (RTAs), and the paratransit services provided by school districts to special education students.

You may not know that my Office has been examining the paratransit cost issue for more than a year. We had met with MBTA staff on numerous occasions and met with former Secretary Mullan and then MBTA General Manager Davey in January 2011

¹ Americans with Disabilities Act required paratransit services for individuals deemed to be unable to use fixed transit systems.

² Executive Order No. 530 signed by Governor on April 6, 2011 for "establishing a Commission for the Reform of the Community, Social Service and Paratransit Transportation Services in the Commonwealth." The commission held its first meeting on August 25, 2011 and planned to file a report with the Governor in early 2012.

to discuss cost savings ideas that had been developed by my Office and a consultant in our employ. MBTA staff included many of the ideas we discussed in their Board presentation last summer. I had originally presented my Office's ideas to Lieutenant Governor Murray during the planning phase of the Anti-Fraud, Waste and Abuse Task Force that he chairs.³

My Office began looking into RIDE program costs as a result of a review of the MBTA's 2009 purchase of paratransit vans for the RIDE program using federal stimulus (American Recovery and Reinvestment Act or ARRA) funds. My Office has been actively involved in the oversight of stimulus funds since early 2009. Our review of the van purchase led to a July 2010 letter to the MBTA and MassDOT that found that the MBTA purchased 108 paratransit vans for \$5.5 million, in part, in an attempt to lower RIDE program vendor costs. Prior to this purchase, vendors purchased many of the RIDE vehicles themselves and back-charged these costs to the MBTA. Our review identified serious concerns about the rapid cost growth in RIDE vendor contracts including an MBTA expectation that contract costs would double for each new five-year contract. At this pace of cost growth, the MBTA will shortly have a billion dollar paratransit program – likely an untenable situation given current MBTA funding and both long and short term financial commitments.

When we presented our initial review findings concerning RIDE costs to Secretary Mullen and General Manager Davey they supported our efforts and encouraged us to continue our review. Mr. Davey facilitated our meeting with MBTA staff from whom we obtained additional information. However, MBTA staff could not provide all of the information we needed for our review and the MBTA withheld customer data after MBTA legal staff raised privacy concerns regarding this data. Without access to this data we could not complete a review intended to identify fraud and abuse in the use of the RIDE - a potential program cost-driver. Despite this impediment, my Office identified a number of other possible cost-saving ideas and cost-drivers that it had prepared to present to the MBTA in the spirit of cooperation that had been set by Mr. Mullen and Mr. Davey when we met last year.

To assist you and the Board of Directors as well as the Paratransit Commission, I have summarized my Office's findings below. Our efforts have been geared solely at identifying possible cost savings and operational efficiencies⁴ in the Commonwealth's vast but fragmented paratransit network. Please accept the following information in the spirit we intended:

³ Although established by Executive Order No. 528 on March 7, 2011, this task force began meeting as early as 2009.

⁴ Apparently MassDOT is conducting an internal audit of the RIDE program including making recommendations for cost savings, efficiencies and mitigating risks to fraud, waste, and abuse. During fall 2011, MassDOT audit staff spoke with staff from my office concerning these issues and the work we had completed to date.

- 1) Consolidation and coordination are absent: The Commonwealth has a fragmented paratransit network consisting of thousands of vehicles managed by scores of different entities with little coordination, standardized service, oversight, or shared efficiencies. This type of system is ripe for fraud, waste, and abuse. Consolidating and coordinating services may reduce costs and mitigate vulnerability to abuse. The fragmented system consists of the RIDE, EOHHS managed or supported paratransit, local public (such as Councils on Aging) and not-for-profit agencies, regional transit authorities, and school districts. Better coordination could address the issue of vehicles used throughout the statewide paratransit network remaining idle for portions of the day. For example, vehicles used to transport special education students may not be used throughout the school day since they are used primarily to transport student to and from school. Also, many not-for-profit service providers under contract with various state agencies operate vehicles. These vehicles are often purchased using state funds. Integrating these vehicles into a wider statewide network could reduce costs and provide revenue for operators whose vehicles might otherwise remain idle. Better coordination can also address the issue of performance as vehicles from different programs may be picking up and dropping off riders from the same locations at the same time creating great inefficiency and duplicating costs.
- 2) Fragmentation hinders efficiency and the adoption of best practices. This fragmented system is beset by competing service delivery models whose relative benefits have gone unrealized for the network as a whole. For example, EOHHS providers are able to offer services within Boston at costs that are about one-quarter of the costs charged by MBTA vendors. In addition, EOHHS providers shift costs to vendors whereas the MBTA assumes many of these vendor costs.

EOHHS providers use a “brokerage” model to obtain vendor services. This model creates a perpetual open bid process that seeks the lowest cost per trip. Any vendor that meets a set of minimum criteria may participate. On the other hand, the MBTA bids services for a five-year period to specific vendors for specific coverage areas. There has been very limited competition for these services for many years. This lack of market competition could be a significant cost-driver for RIDE services. The MBTA should re-examine its bidding process to ensure that current vendors do not have an unfair advantage in the competitive process and that the MBTA’s program specifications and vendor requirements do not act to exclude competition and drive up vendor costs.

For example, according to vendors, on-time performance standards and penalties and a requirement to have the indoor garaging of RIDE vehicles has added significant costs to the RIDE. The MBTA has reduced the pick-up and drop-off schedule windows and has imposed rigid schedule parameters for vendors. This is an MBTA policy decision for the RIDE. However, this has increased overall program costs by requiring vendors to obtain more vehicles

and hire more staff. The MBTA also has financial penalties in place for vendors that fail to meet these schedule commitments. Although the MBTA intended the penalty structure in vendor contracts to help ensure on-time performance, it caused vendors to raise their respective bids to cover potential penalty expenses. This Office notes that despite these new standards, according to data reported to the federal government, there does not appear to be any significant difference in on-time performance between the RIDE and the EOHHS providers.

- 3) Policy decisions are cost drivers. Paratransit services are obligated to follow federal regulations and Americans with Disabilities Act (ADA) requirements. Over time, the MBTA has adopted policies that exceed federal requirements. Although MBTA standards have created a nationally recognized program for its level of service and commitment to riders, these standards have come at a cost – a cost that the MBTA may no longer be able to afford. For example, the MBTA offers so-called “door to door” service rather than the federally required “curb to curb” service. Using van drivers to escort riders “door to door” adds to staff costs, schedule delays that increase costs, and increases liability insurance costs and legal exposure for the MBTA. We are suggesting that the MBTA re-examine the relative costs and benefits of providing services above what is legally required. The choice belongs to the MBTA. This Office is only suggesting that the MBTA know the costs impact of its policy decisions.
- 4) Revenue opportunities should be considered. The MBTA should review revenue opportunities. Federal regulations allow the MBTA to charge RIDE customers a fare up to twice the cost of other MBTA services. For example, if a subway ride is \$2.00, the MBTA could charge a RIDE client \$4.00. The MBTA has not taken advantage of this regulation that in some cases would allow the MBTA to charge higher fares for longer trips.

Medicaid reimbursement may also be available to the RIDE as well as other paratransit programs. Currently, the state does not receive federal reimbursement for a RIDE client who may be covered by Medicaid and who may be using the RIDE for medically-related transportation. The MBTA is at a disadvantage because it is legally prohibited from asking riders the purpose of a trip. As a result, the number Medicaid eligible customers that use the RIDE is unknown. As a result, the MBTA could be expanding resources for what should otherwise be a Medicaid funded service. This Office believes that through service consolidation, this situation could be relieved. We suggest that an EOHHS sponsored entity become a central dispatch point for all publicly-funded paratransit trips. Unlike the MBTA, EOHHS has access to Medicaid records and has the legal authority to inquire about the nature of a trip. If a trip is medically-related, then the trip can be scheduled for a Medicaid provider. A non-medically related trip would be scheduled for the RIDE. This could reduce the number of

RIDE trips as well as ensuring that the Commonwealth receives the Medicaid transportation reimbursement it is entitled to from the federal government.

- 5) The eligibility process needs tightening. RIDE service eligibility issues could be contributing to increased costs. The RIDE has the largest per capita use of any large metropolitan area, 40% higher than New York City and nearly three times higher than Philadelphia. Our Office found that the MBTA failed to test the veracity of information provided on RIDE client applications. RIDE eligibility is open to anyone with a disability that is attested to by a licensed practitioner. However, the MBTA did not verify the credentials of the identified practitioners or the applicability of the credentials to a diagnosis, for example, a physical therapist attesting to a cognitive disorder. The MBTA also failed to require timely reapplication for many customers. As a result, a person who became eligible for the RIDE because of a broken leg may have remained eligible long after their leg healed thus eliminating their eligibility for the RIDE. This Office requested to review RIDE applications to identify possible cases of fraud and abuse, but the MBTA denied our request based on customer confidentiality concerns. The MBTA informed this Office that they have rejected very few customer applications outright based on the merits of the application.

This Office also found that MBTA policy allows customers to take personal care attendants (PCAs) or companions on a trip at no charge. This Office does not question the MBTA policy and understands that in many cases having a companion may be medically necessary. However, to reduce the abuse of this policy, the requirement for a PCA or travel companion should be clearly stated in the customer's application. This could prevent system abuse by ineligible individuals simply not wishing to pay a fare. This Office also recommends that RIDE customers be provided with a photographic identification to reduce the risk to system abuse. This identification could also indicate the customers need for a companion.

This Office notes that the MBTA is in the process of bringing RIDE eligibility determination in-house. The MBTA will hire licensed practitioners to verify applicant eligibility. We believe that this is a prudent step to mitigate the RIDE's vulnerability to abuse.

- 6) The RIDE needs to take greater advantage of fixed routes. The MBTA should take greater advantage of its fixed route system. The MBTA has spent hundreds of millions of dollars to make existing infrastructure ADA compliant. The MBTA should use a centralized scheduling process and purchase up-to-date software to schedule RIDE trips in conjunction with, rather than apart from, the fixed route system. For example, the Massachusetts General Hospital (MGH) is one of the most popular destinations for the RIDE. MGH has a recently refurbished, ADA compliant Red Line subway station (MGH/Charles) yards from its front door.

However, there is no coordination between the MBTA and MGH to generate greater use of this station. According to MBTA staff, the need to cross Cambridge Street and the condition of the sidewalk between the station and MGH could deter use of the Red Line for RIDE customers. This Office believes that coordination between the MBTA and MGH could overcome these obstacles. The RIDE brings hundreds of patients to MGH every day at a cost of tens of thousands of dollars per day. MGH already uses so-called “ambassadors” to assist patients from their vehicles into the hospital (but not for RIDE users because the driver provides this assistance). Perhaps MGH ambassadors could be located at or near the subway station to assist patients in crossing Cambridge Street. If the sidewalk is an issue, then perhaps the MBTA can negotiate with the City of Boston and MGH to repair the sidewalk. This could ensure that RIDE customers can switch to the Red Line which operates on a more frequent schedule and is available at a customer’s convenience to travel to and from the hospital. This could also have the potential for significant cost savings. For example, at an estimated \$50 per trip (\$100 round trip), if 25 RIDE customers per day can switch to the Red Line, the MBTA can save \$130,000 annually. Perhaps this type of arrangement can be coordinated with other large destination hubs for the RIDE.

- 7) The MBTA should not allow users to take advantage of the system. According to RIDE service providers contacted by this Office, “no shows” by RIDE customers contribute to significant and costly schedule delays. The MBTA has a policy to not charge a fare for customers who schedule a RIDE trip and then fail to arrive for the appointment. The MBTA allows customers to cancel without notice or not show up for a trip without penalty. This Office suggests that the MBTA charge a fare for “no shows.” The MBTA can also establish an appeals process for customers who believe the “no show” could not be avoided. According to vendors, customers often schedule more trips than they need to increase their options and because there is no penalty for missing trips.
- 8) The MBTA must improve vendor oversight. This Office also identified a significant vulnerability to fraud, waste, and abuse in the RIDE program. The RIDE vendors each maintain vehicles separate and apart from the vehicles assigned to the RIDE program. According to the MBTA’s vendor contracts, these providers may be required to use non-RIDE dedicated vehicles when increased ridership requires them to do so. The vulnerability exists because the RIDE contract provides for the reimbursement of numerous vehicle costs. However, a preliminary review by this Office indicated a weak control and oversight structure by the MBTA for these expenses. As a result, the MBTA may not have adequate assurance that unwarranted non-RIDE expenses are not being routinely charged to the MBTA. For example, a non-RIDE dedicated vehicle such as a taxicab that is pulled into RIDE service for a part of a day may have all its fuel and other costs attributed to the RIDE for an entire day. This Office also believes that the

MBTA's post-audit review process of vendor expenses is inadequate to prevent and detect against fraud, waste, and abuse. As a result, the MBTA may be paying more for RIDE expenses than it should.

- 9) Paratransit-related procurement should be consolidated. The purchase of vehicles, fuel, equipment, etc. should be consolidated under a statewide procurement process. This could generate cost savings through volume purchasing and could reduce vendor contract costs. Consideration should also be given to procuring statewide services such as insurance for vendors. Currently, vendors obtain their own insurance (liability, automobile etc.) and the MBTA treats this as a reimbursable expense. Joint purchasing may reduce costs.

The MBTA should consider the types of equipment purchased as well. Current RIDE vans can accommodate up to four wheelchairs. According to RIDE vendors, they rarely use the vans for more than two wheelchairs. Moreover, both anecdotal evidence and field observations undertaken by this Office indicate that less than 20% of van trips include wheelchairs. As a result, the MBTA appears to have procured at greater expense, vans over sedans. The purchase price and the operational and maintenance costs of sedans are lower than that of vans.

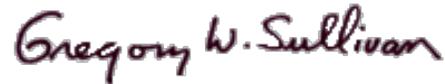
- 10) Experiments require observation. The MBTA experimented with providing free "Charlie" fare cards to RIDE customers in attempt to shift ridership from paratransit vehicles to fixed route systems. However, based on information provided to this Office, the MBTA has been unable to track the effectiveness of this experiment. Although providing free fare cards may be a viable option to reduce RIDE use, the MBTA experiment appears to have placed in use nearly 1,000 untraceable fare cards with no controls or oversight creating a situation ripe for fraud, waste, and abuse. The MBTA should either cancel these cards or determine whether these cards are being used appropriately. For example, if customer "A" had been provided with a free fare card, has customer "A" continued to use the RIDE? The MBTA can then determine why customer "A" may or may not continue to use the RIDE.

- 11) Commuters should be addressed as a group. This Office did an analysis of frequent users of the RIDE many of whom appear to be commuters. Based on the high per trip cost of the RIDE for these frequent users, it may be more economical for the MBTA to purchase vehicles for these individuals and pay for vehicle expenses such as maintenance, fuel, and insurance than to continue having these customers use the RIDE. The MBTA should consider what other options might exist for commuters who use the RIDE such as coordinating trips for commuters who go to the same location but, who may currently go at different times. Based on the current per-trip cost of the RIDE, it might also be economical for the MBTA to negotiate with taxi or limousine providers for the transport of commuters.

12) The MBTA should widen its network for RIDE services. The MBTA could use taxi, livery, Councils on Aging, and other vehicles on a limited basis. This Office suggests that this be considered for inter-municipal trips. Currently, the three RIDE vendors cover large geographic areas. A vendor may be required to send a vehicle a long distance to accommodate a short trip. It might therefore be more economical for the MBTA to use local transportation services to accommodate shorter inter-municipal trips. The MBTA can use a taxi voucher or reimburse a Council on Aging for transporting a RIDE client, for example, from one part of a municipality to another or for other shorter trips. These voucher systems are used successfully around the country even though some have experienced fraud, waste and abuse. A controlled system could prove a cost-savings for the MBTA.

Please do not hesitate to contact me with any questions or concerns that you may have or if my staff and I may be of further assistance to you with this matter. Thank you for your attention to potential cost savings for Massachusetts taxpayers and MBTA fare-payers.

Sincerely,



Gregory W. Sullivan
Inspector General

Attachment

cc: Lieutenant Governor Timothy Murray
Senator Thomas McGee, Senate Chair, Joint Committee for Transportation
Rep. William Strauss, House Chair, Joint Committee for Transportation
Richard Davey, MassDOT Secretary and Paratransit Commission Co-Chair
Judy Ann Bigby, EOHHS Secretary and Paratransit Commission Co-Chair
Jonathan Davis, Acting MBTA General Manager
Ferdinand Alvaro, MBTA Board of Directors
Elizabeth Levin, MBTA Board of Directors
Janice Loux, MBTA Board of Directors
Andrew Whittle, MBTA Board of Directors