

From the desk of Joel E. Davis

Thank you and congratulations on taking the time to read this brief. I promise not to overload you with too much information, but I do want to share a preview of just how much our industry continues to change from its original inception. In order to know where we're heading it is important to know where we began.

NOTE: To be clear, *the following information is regarding Medicaid reimbursements*. This does not affect or influence the many other sources of revenue for your business such as Private-Pay, VA reimbursements, Worker's Comp, various Service Agreements, Contracts and more. I am discussing the Medicaid system in this brief because so many new transportation providers are under the impression that they must service Medicaid recipients in order to be in business – which is NOT accurate!

As we all know, our healthcare system is experiencing HUGE change. With **Obamacare increasing the size of Medicaid enrollment by 138%**, Medicaid transportation remains a central focus of NEMT discussions in almost every state. Coupled with a booming elderly population, it's easy to understand how such changes are having incredible ripple effects throughout the entire medical industry landscape and beyond.

A Quick History of Medicaid Transportation

In the 1974 class action suit *Smith vs. Vowell*, the first legal action regarding Medicaid transportation access, Smith, the disabled plaintiff, could not travel to a doctor because he was wheelchair-bound. With limited mobility options, the courts ruled in Smith's favor acknowledging the direct link between participation in Medicaid programs and the ability to get to facilities to receive medical services.

In response to *Smith vs. Vowell*, the courts ushered in the modern era of NEMT by requiring states to provide services using a mileage-based reimbursement system.

Why Medicaid is So Different

Medicaid is vastly different as compared to other social programs because there is no direct relationship between the individual and the federal government. The federal relationship is through the states via joint funding. The federal government provides standard regulations and procedures for Medicaid, providing a framework for states to manage programs. With Medicaid, states are required to reimburse for NEMT and home care benefits. However, **states enjoy wide authority in developing programs and activities to manage their Medicaid systems**. This is why transportation programs vary between states.

The Brokerage Issue

Medicaid began using intermediaries, brokers, for part of the management process in the 1970s. As health care grew more complex, more complicated management issues arose and various forms of intermediary managements emerged. Intentions for brokers were to reduce costs while limiting state's primary liability by shifting responsibility to subcontractors.

The Compounding Problem

Initially, Medicaid only covered people receiving direct nursing care where states had their biggest financial pressure. The federal government split these costs evenly with the states. This arrangement worked until the federal government began mandating more than nursing home care, adding outpatient care, prenatal care, birth and delivery, home health care, and more.

With more services mandated by the federal government, states saw their budgets exacerbated. In response, states sought to restrict growth by limiting their share of expenses by capping Medicaid contributions. However, with the increasing number of Medicaid recipients, such efforts failed. Now, with an explosion in enrollment, **Medicaid has become the single biggest item in state budgets.**

The Landscape of Healthcare has Changed

President Clinton was absolutely right when he said *"Unless we act, someday soon health care costs will break the back of every state and local government in this country."*

As part of Obama's economic recovery programs, major financial packages in stimulus were designed to help states resolve their Medicaid budgets. However, with Obamacare assigning a record number of people to Medicaid, states remain perplexed on how to pay for the massively expanded numbers.

In hopes of trying to slow the growth of program expenditures, the Senate Finance Committee has **pushed states to adopt more of an insurance approach to Medicaid which includes the imposition of more managed-care elements** which includes reimbursement for NEMT and certain home care services.

Now, a new standard path for Medicaid recipients is to be placed in either a managed care group or obtain contract management. **Managed care plans typically include costs for NEMT** where contract management uses a broker or some other mode of service delivery. States not following this approach essentially function as their own broker.

Medicaid transportation is becoming radically different in size and scope due to the expansion of Obamacare. Thus, **brokers are becoming a preferred method to manage state's Medicaid functions** which is a dramatic evolution from the original program.

From the desk of Joel E. Davis

Despite such dramatic shifts and changes in the Medicaid system, states desperately need reliable transportation providers because, by law, brokers are not permitted to serve as providers. It is unacceptable for those who manage patients or their activities to assign patients to services they provide, own or manage.

Questions to Ask Yourself in a Growing Market

- With Health Care Reform exploding the size of Medicaid and managed care groups, how is your community addressing such expansion?
- How can you profit from such expansion and become an integral part of the transportation and home care needs of your community?
- Who are the decision makers within your community? Who will they be tomorrow?
- How do you interact with managed care groups and brokers?

You're Sitting On a Gold Mine

I openly admit that I am not a fan of Obamacare for a wide variety of reasons. However, as a default, I can honestly say that in working with entrepreneurs across the country, I have witnessed more creativity and more diversification than at any other time. The reason is because creative, motivated entrepreneurs always find new solutions to problems - to include those implemented via overbearing government policy and regulation. It further reinforces and underscores how small businesses truly are the engine of America.

Over the past few years I have negotiated more contracts, helped providers secure increased broker reimbursements, assisted with more acquisitions, and helped more providers expand and diversify than I would have anticipated. Why is this so? Because the changing healthcare landscape is creating an environment of consolidation and organizational restructuring that is creating HUGE contractual possibilities for services of all kind.

In fact, if you already own a NEMT or home care business, chances are very good that you have been solicited with RFP(s) or bidding opportunities on government contracts or even large corporations in our industry. Why – because opportunities are growing everywhere! In fact, the problem is not a lack of opportunity. Rather, the problem is most providers have no idea such opportunities exist let alone what to look for, what to ask, or what to propose!

Furthermore, Obamacare may limit your vertical growth via the employer mandate but it most certainly is not limiting your horizontal growth and diversification into other synergistic ventures and joint partnerships. When I say that many of you are sitting on a proverbial “Gold Mine,” I’m not exaggerating. I have seen some providers build a “small empire” in as short as 3-4 years! That might seem like a long time, but in the life of a business, 3-4 is very short.

From the desk of Joel E. Davis

Essentially, your success comes down to you understanding the changing industry landscape, identifying market opportunities, knowing your points of leverage, then employing effective tactics and strategies to fulfill market needs.

Where to Go From Here

Know your worth! When negotiating a contract, seeking an increase in reimbursement, or a creating a joint venture I often witness providers accepting a scant portion – measly chicken wings when they should be dining on choice filet mignon - and doing so regularly!

Why do so many providers and entrepreneurs fail to achieve more? There is a variety of reasons – enough to write novels! But in short, an inability to achieve greater success, gain greater financial reward comes down to a few simple reasons as follows:

1. What many entrepreneurs don't know hurts them in the form of missed opportunity. As I adamantly continue to share, there is overwhelming money-making opportunities all around us. Unfortunately, most people fail to see such opportunities because they only know outdated strategies that worked in an antiquated landscape. Again, **the industry landscape has dramatically changed and so should your tactics**
2. People don't take necessary action and, as a result, are not prepared for success when it arrives. So many entrepreneurs miss great diversification and contractual opportunities because they are hiding behind their desks of complacency. Others consider education and investment as “too pricey.” Thus, bold action is nowhere in their psyche let along up for consideration
3. Because of inadequate preparation and understanding of the industry landscape, entrepreneurs become limited, creating barriers of how much they can profit. They do not know how to structure agreements and negotiate premium compensation

Invest in your education! Whether you're in the NEMT, EMS, home care industries or all of them, learn as much about the changing industry as possible. If you take nothing else away from this brief, the most important message is the industry is changing and will continue for several more years. **If you conduct your business with antiquated strategies then you will either significantly limit your earning potential or literally become extinct.**

Avoid the free “brother-in-law advice” – the “free tips” and garbage advice readily available online. Most of these ridiculous sites conjure up inaccurate “advice” offered by someone who has never made money let alone started their own business. Trust me, I understand that most of you reading this originally found me online so it's quite hypocritical when I tell you to avoid all of the crap online. But as the saying goes, when something is “free,” it is typically equal in value. **You get what you pay for!**

Without exaggeration, probably half the people who contact my office seeking help are those who followed the free online “brother-in-law advice” - sites such as ehow.com, ask.com, etc., etc., or the many knockoff “How-To's” from people who have never experienced success

From the desk of Joel E. Davis

firsthand. These “experts” have no understanding of the changing industry and, thus, mislead motivated entrepreneurs.

Sadly, for most of those who followed the free brother-in-law advice it has cost them money either in the form of assets they don’t need, missed opportunity in terms of negotiating greater reimbursements, or simply wasted time chasing irrelevant endeavors.

I could probably pay off half of the national debt if I received a quarter for every time someone contacted us indicating they purchased a vehicle(s) and are seeking how to proceed further. Their “free advice” fell significantly short. They spent money yet have no plan on how or where to start! It’s “putting the cart before the horse.” **You need to invest in your education before purchasing assets or signing agreements.**

I could probably fund the remainder of the national debt if I was paid a quarter for each time I witnessed someone enter into a ridiculous contract that grossly sells themselves short. The number of entrepreneurs overpaying for a business acquisition is mind boggling while others leave so much money on the table when selling their business. And the laundry list of missteps goes on. But my long-winded point to all of this is you need to invest in your education with regards to our industry and further enhance your entrepreneurial skills. What you don’t know can and will hurt you or, as a minimum, limit your earning potential and cost you money all along the way. If you are a profitable, reliable transportation or home care business and you become a fixture within your community, you are worth so much more than you think. You’re sitting on an potential gold mine!

For those of you attending one of my live events or enlisting my help, One-on-One, I look forward to meeting and working with you soon.

See you at the Top!

Joel E. Davis

Founder, the United Medical Transportation Providers Group

www.umtpg.org

www.milliondollartransportation.com

www.mdtseminar.com

www.mdtbusinessplan.com

www.milliondollarhomecare.com

www.startcourierservice.com

www.ambulettetransportation.com

www.dispatchingmadeeasy.com

www.mdtvip.com

www.dispatchingfordollars.com