



Guess Who Runs the Best Paratransit System in the MBTA's District? Hint: It's Not the T

by Gregory W. Sullivan

Background

Pioneer Institute's ongoing analysis of the MBTA's operations, finances, and performance aims to inform the public debate about financial problems plaguing the T and identify ways to improve the public transit experience for the system's 1.2 million daily riders.

This report concerns The Ride, the MBTA's demand-response paratransit service. Using data from the National Transit Database, the primary federal repository of transit related data and statistics in the United States, and public reports of transit agencies and transportation organizations, this report compares the Ride's cost efficiency and operating practices with those of other Massachusetts paratransit systems, including those of 13 Massachusetts regional transit systems and of the Human Services Transportation Office (HST) of the Executive Office of Health and Human Services (EOHHS). HST provides paratransit in the 60-community MBTA service area and throughout the state.

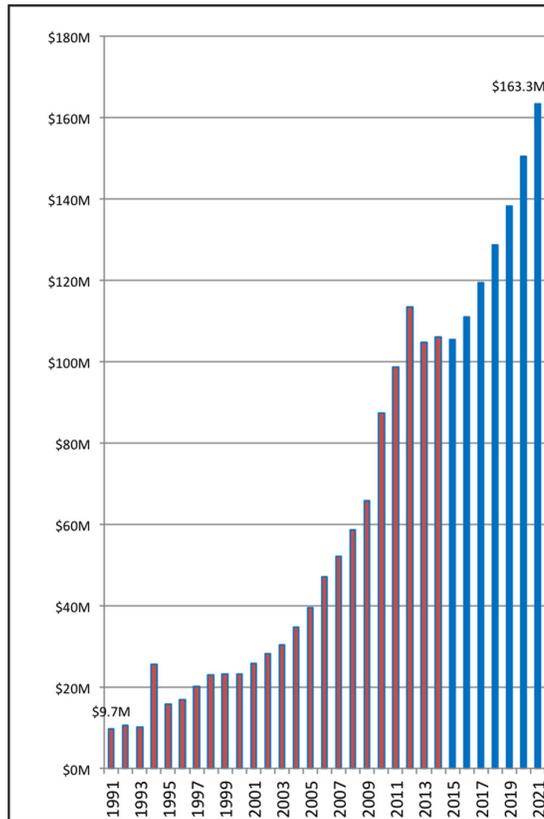
The Americans with Disabilities Act (ADA) requires public transit authorities that provide fixed-route service to provide "complementary paratransit" services to people whose disabilities prevent access or use of the bus or rail service. The ADA regulations also define minimum service requirements for these services. In general, ADA complementary paratransit service must be provided within three-quarters of a mile of a bus route or subway/rail station (excluding commuter rail and commuter boat services), at the same hours and days, and for no more than twice the regular fixed route fare. ADA complementary paratransit is a civil right for those that are deemed eligible.¹

Spending for The Ride has grown at a rate unparalleled among MBTA transit modes. Figure 1 demonstrates budget growth from FY1991 to FY2014, and growth through FY2021 as described in the Request for Proposals (RFP) issued by the T in 2014 when it procured paratransit providers.

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Figure 1. Budget Growth, 1991-2014



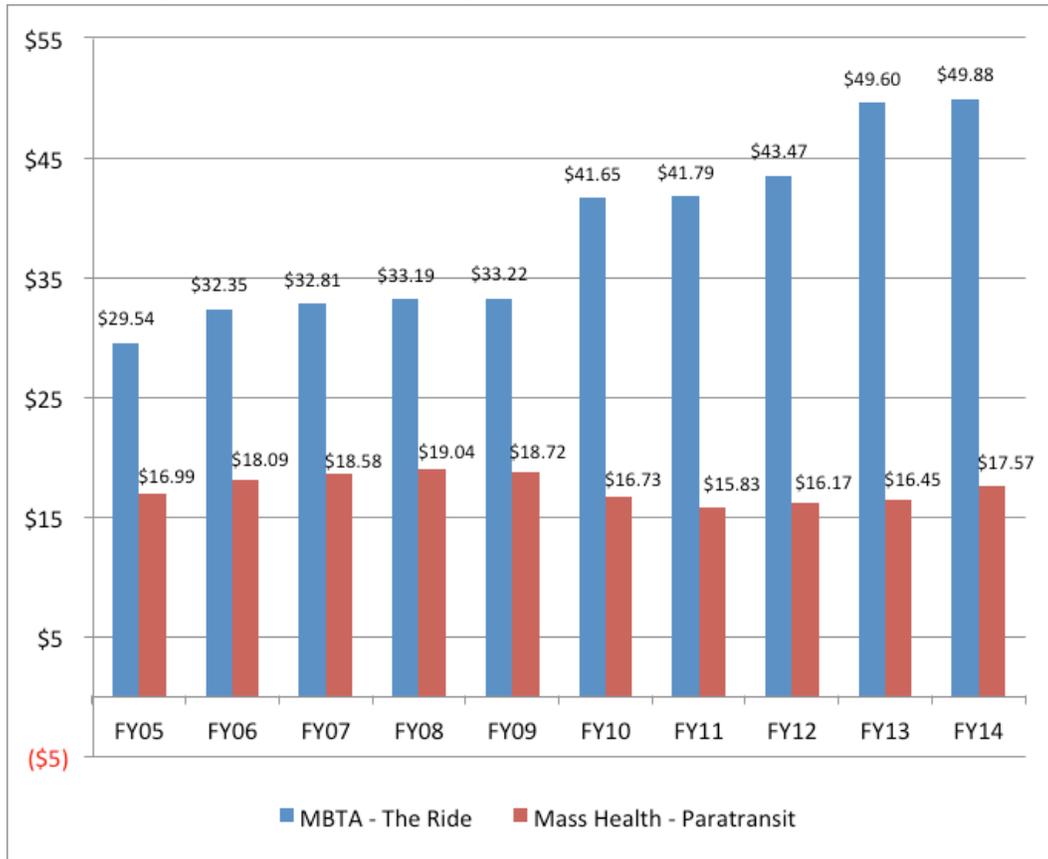
In FY2014, The Ride provided paratransit passengers with 2,223,700 one-way trips at a cost of \$105,923,101, an average per trip cost of \$49.88. By comparison, HST’s demand-response paratransit service, used for MassHealth non-emergency transportation, provided 3,000,327 passenger trips at a cost of \$54,427,745 that year, an average of \$17.57 per trip, virtually one-third the cost per trip of The Ride. HST produces savings in addition to the per-trip rate because, unlike the MBTA, it does not provide its transportation vendors with taxpayer-supplied vans and vehicles.

Figure 2 shows the operating expense per passenger trip for The Ride and HST MassHealth demand response paratransit service.

HST’s success is largely attributable to its operational service model, along with a long-standing commitment to cost-effectiveness and innovation. HST uses a model under which a paratransit broker contracts with 364 different transportation companies, primarily cab companies

that compete for MassHealth clients on a price-per-trip basis. The broker is responsible for scheduling, reservations and dispatching vehicles. Since 86 percent of HST MassHealth paratransit trips do not require wheelchair-accessible vehicles, local cab companies and drivers who have passed background checks provide most of the HST service.² More than 80 percent of The Ride’s clientele also do not need wheelchair compatible vehicles.³ HST’s FY2014 annual report explains that it contracts with select Regional Transit Authorities (RTAs) that function as brokers in nine distinct HST areas, encompassing all cities and towns within the commonwealth. Each HST broker administers transportation services by subcontracting with qualified transportation providers in their HST area(s). In contrast, the MBTA awards exclusive paratransit contracts to three vendors, each of which is responsible for a large service area. The three operate jointly in the core area of Boston, Brookline, Cambridge, and Somerville.

Figure 2. Operating Expense per Passenger Trip, The Ride and HST MassHealth, 2005-2014



HST requires its brokers to develop routing strategies to increase efficiency and cost effectiveness, and to ensure service quality with on-site inspections and client surveys. In FY2014, HST’s brokerage system resulted in 99.9 percent on-time and 99.7 percent complaint-free trip performance.⁴

HST’s model is designed to deliver services as cost-effectively as possible. The RTA paratransit brokers hired by HST are motivated by the hope of staying on at the end of the contract term (the costs of the broker’s fee of approximately \$1 dollar per trip is included in the average cost per ride of \$17.57). HST began offering shared-saving incentives to the RTA brokers in 2009. The 364 transportation companies are motivated to compete on price and quality of service.

A review of key elements of the April 2014 MBTA contracts with its paratransit providers, as delineated

in its RFP, reveals features that are counter-productive to efficiency and cost-effectiveness. The contract provides for a fixed cost per month to be paid to the paratransit contractor for administrative and overhead costs, a fixed cost per registered passenger trip, 100 percent reimbursement for fuel, and for the MBTA to provide vehicles including lift-equipped vans and cars. The last two years of the contract are renewable, but there is no obligation to renew. Figure 3 presents the various categories of vehicles provided by the MBTA.

As indicated in Figure 3, the MBTA is responsible under the contract to provide vehicles to the paratransit operators at the T’s expense, ranging from 654 vehicles in total in FY2015 to a projected 891 in FY2021. Unlike the HST model under which 364 local transportation companies supply their own vehicles, the MBTA is obligated to incur the cost of providing more than 92 percent of the total vehicles

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Figure 3. Vehicles Provided to The Ride by the MBTA, by category, 2015-2021

	Authority-Supplied			Contractor-Supplied	
	Lift-Vans	Sedans	Sub-total	Lift-Vans	Total Vehicles
FY15	393	261	654	56	710
FY16	411	273	684	57	741
FY17	432	288	720	62	782
FY18	459	306	765	64	829
FY19	483	324	807	69	876
FY20	510	339	849	71	921
FY21	534	357	891	75	967

under these contracts, in addition to the high cost per trip. A 2011 report by the Massachusetts Inspector General’s office indicated an average cost per vehicle in excess of \$40,000 with an expected useful life of between six and seven years. MBTA-supplied vehicles result in additional depreciation and interest expenses that add nearly an additional \$2 to the cost of each trip.⁵

The mix of vehicles includes a high proportion of expensive lift vans. HST’s FY2014 annual report indicates that only 14 percent of its vehicle trips required wheelchair-accessible vehicles. The MBTA’s paratransit utilization shows that well over 80 percent of trips do not require wheelchair accessible- vehicles. By comparison, other major transit agencies utilize a different mix of sedans and wheelchair vans. San Francisco Municipal Railway (SFMTA), for example, contracts with van and taxi companies through a broker-managed system for its paratransit service. According to NTD data, 20 percent of SFMTA’s paratransit vehicles are vans and 80 percent are sedans.

Another element of the contract that is counterproductive to cost-containment is a provision that allows the contractor, not the MBTA or an independent contractor, to control reservations, scheduling and trip planning to maximize ride sharing and control costs. According to HST’s FY2014 annual report, there was more than one passenger on board for all or part of 64.5 percent of its total trips. NTD data indicates that in 2013, The Ride had an average of 0.89 passengers on board a paratransit vehicle per

vehicle revenue mile. This provision of the MBTA’s contract creates an inherent financial disincentive for the provider to minimize ride-sharing since the T pays the provider a fixed amount per trip regardless of how many passengers are on board.

The contract includes a provision stating that

the MBTA is considering a centralized call and control center. During the first three years of the contract, the service providers will continue to handle reservations, scheduling and dispatching, along with their other responsibilities for delivering service. This functional responsibility may continue in years four and five, and into the option period if exercised. If the MBTA pursues a change, the call and control center would likely be established by the beginning of year four, with service provider reservations, scheduling and dispatching functions transferred during that year. The centralized call and control center would be managed by a paratransit call and control center management firm retained by the MBTA under a separate procurement.⁶

Another provision of the contract provides that if the MBTA centralizes its paratransit call center function, the T service providers will be paid a fixed amount per van ride and another for a sedan ride.

If the MBTA establishes a centralized call center in 2018 or later, it would benefit by paying a lesser rate when sedans are used, rather than a higher per-trip rate. Much of this benefit, however, would be negated by the fact that the current service providers have a

Figure 4. MBTA Contracts for The Ride, 2015-2019

Area Definitions	FY2015-FY2019	FY2020-FY2021	Total
North area - Greater Lynn Senior Services (GLSS)	\$188,031,199	\$99,037,766	\$287,068,965
West area -Veterans Transportation, LLC	\$237,873,956	\$123,631,460	\$361,505,416
South area -National Express Transit Corporation (NE)	\$176,579,677	\$91,045,941	\$267,625,618
Totals	\$602,484,832	\$313,715,167	\$916,199,999

sedan per-trip contract already in place. So long as the MBTA gives sole providers exclusive rights in each district, it will never be able to reap the financial benefits of the broker operational model that has benefitted HST. Pioneer Institute requested last week that the MBTA provide a copy of the three current contracts and officials there told us to file a freedom-of-information request, which we are in the process of doing.

A second major reason why HST’s paratransit service is more cost effective than The Ride is that it operates on a curb-to-curb rather than a door-to-door basis. Curb-to-curb service saves time by eliminating the time-consuming and expensive requirement that the driver park the vehicle and accompany a passenger door-to-door when it is not necessary to do so. ADA regulations allow paratransit operators to offer curb-to-curb service, so long as the driver assists passengers door-to-door when requested or otherwise needed. This is the level of service that HST requires its transportation vendors to provide. A Federal Transit Administration guidance document explains: “ADA regulation 49 CFR §37.129(a) provides that, with the exception of certain situations in which on-call bus service or feeder paratransit service is appropriate, “complementary paratransit service for ADA paratransit eligible persons shall be origin-to-destination service.” This term was deliberately chosen to avoid using either the terms “curb-to-curb” or “door-to-door” service and to emphasize the obligation of transit providers to ensure that eligible passengers are actually able to use paratransit service to get from their point of origin to their point of destination.”⁷ The MBTA’s three paratransit contracts state that “the Contractor will provide door-to-door service to the maximum extent possible without losing control and oversight of vehicles or other

customers.” A 2011 report issued by the New York City Transit Paratransit Division states that eight of its 14 peer transit agencies use curb-to-curb rather than door-to-door service.

Figure 4 shows the three April 2014 MBTA contracts for The Ride that total \$602,484,832 for the five-year period from FY2015 to FY2019. The contracts have a two-year extension option that brings the potential total to \$916,199,999.

If the MBTA switches to a paratransit broker/curb-to-curb operational model like HST uses and is able to reduce its per-trip cost to HST’s level, its annual paratransit savings would be considerable. The draft contract seems to allow the MBTA to do so. A provision of the draft contract included in the RFP provides that: “The Authority may cancel this Contract, without cause, upon thirty (30) days written notice to the Contractor (“Termination for Convenience”).”

Comparing The Ride’s per-trip costs to those of the Regional Transit Authorities

Figure 5 shows the average cost per paratransit trip of The Ride and of the 13 RTA’s of Massachusetts in FY2013, the most recent year for which NTD data is published. The RTAs’ average cost per paratransit trip was \$25.56; The Ride’s was \$49.60, or 94 percent higher.

Figure 6 shows a graphic depiction of the data in Figure 5.

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Figure 5. Expense per passenger trip, The Ride vs Peer Systems, 2013

System Name	Expense
Southeastern Regional Transit Authority(SRTA)	\$57.00
Massachusetts Bay Transportation Authority(MBTA)	\$49.60
MetroWest Regional Transit Authority(MWRTA)	\$30.61
Worcester Regional Transit Authority(WRTA)	\$28.21
Pioneer Valley Transit Authority(PVTA)	\$27.96
Merrimack Valley Regional Transit Authority(MVRTA)	\$26.59
Cape Cod Regional Transit Authority(CCRTA)	\$25.94
AVERAGE OF 13 RTAs	\$25.56
Greater Attleboro-Taunton Regional Transit Authority(GATRA)	\$23.89
Cape Ann Transportation Authority(CATA)	\$23.70
Montachusett Regional Transit Authority(MART)	\$20.78
Brockton Area Transit Authority(BAT)	\$19.88
Worcester Regional Transit Authority COA(WRTA COA)	\$18.26
Lowell Regional Transit Authority(LRTA)	\$17.67
Berkshire Regional Transit Authority Council on Aging(BRTA)	\$11.86

Savings if The Ride Operated More Like HST or the RTAs

Figures 7 through 9 present projections of the savings that could be achieved between FY2016-FY2021 if The Ride were able to reduce its per-passenger ride cost to that of the average RTA or MassHealth's HST demand response paratransit system. Figures 7 and 8 provide projected annual passenger trips and the annual budgets for The Ride, the RTAs and HST. These are taken from the MBTA's 2014 RFP for paratransit providers FY2015-FY2021. The RTA and HST per-trip rates use FY2013 as a base and increase by 4 percent annually. The Ride's per-trip rates are calculated from the 2014 RFP by dividing annual budget by projected passenger trips as described in the RFP.

Figure 9 calculates the savings if The Ride were to operate at the efficiency of the average RTA or MassHealth's HST. If The Ride's cost per passenger trip were reduced to the average of the RTAs, the savings would be \$346.8 million

Figure 6. Expense per passenger trip, The Ride vs Peer Systems, 2013 (Graphical)

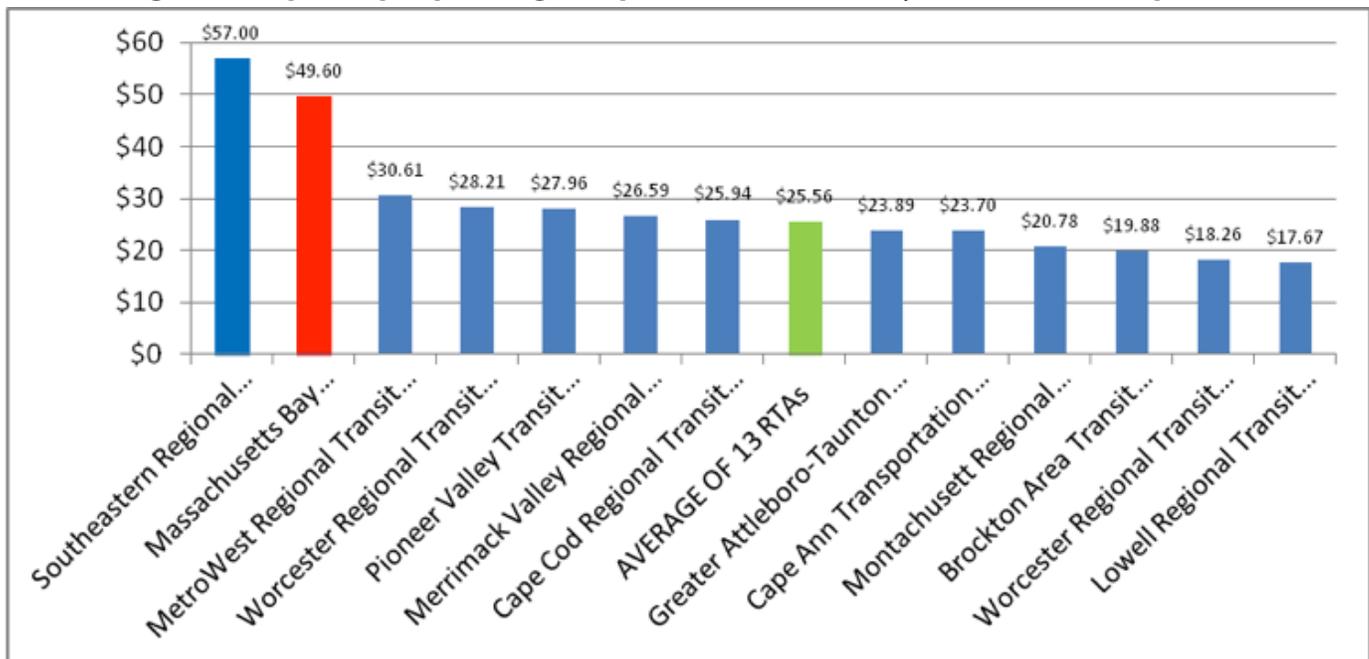


Figure 7. Projected Passenger Trips and Service Costs per Passenger Trip, 2016-2021

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Projected trips per RFP	2,099,058	2,219,858	2,350,951	2,482,044	2,613,137	2,744,231
The Ride (\$ per trip)	\$52.85	\$53.77	\$54.71	\$55.67	\$57.56	\$59.51
HST MassHealth (\$ per trip)	\$19.76	\$20.55	\$21.38	\$22.23	\$23.12	\$24.05
RTA average \$ (per trip)	\$28.76	\$29.91	\$31.10	\$32.35	\$33.64	\$34.99

Figure 8. Annual Total Costs for The Ride, RTAs, and HST, millions, 2016-2021

Comparative Service	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Totals
The Ride*	\$110.9	\$119.4	\$128.6	\$138.2	\$150.4	\$163.3	\$810.8
RTA	\$60.4	\$66.4	\$73.1	\$80.3	\$87.9	\$96.0	\$464.1
HST MassHealth	\$41.5	\$45.6	\$50.3	\$55.2	\$60.4	\$66.0	\$319.0

Figure 9. Savings Calculated by RTA and HST Efficiency, millions, 2016-2021

Comparative Service	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Totals
The Ride vs RTAs	\$50.6	\$53.0	\$55.5	\$57.9	\$62.5	\$67.3	\$346.8
The Ride vs HST MassHealth	\$69.5	\$73.7	\$78.4	\$83.0	\$90.0	\$97.3	\$491.9

over six years. If they were reduced to the level of MassHealth’s HST demand response paratransit system, the savings would be \$491.9 million over six years.

Conclusion

The Commonwealth of Massachusetts provides demand-response paratransit services to millions of residents each year through HST, the RTAs, and The Ride. Given the high level of comparability across these entities, it is important to identify best practices and efficient methods for providing this critically important and valuable service.

- The Ride’s costs per trip are nearly three times those of HST, which serves a very similar population. HST and The Ride both provide paratransit services in all 60 MBTA service area communities. The Ride is also far more expensive than the average of RTA paratransit services.
- If The Ride were to function at the level of efficiency and employ the operational strategies

of HST MassHealth, the MBTA could reap savings on the order of \$500 million over six years.

The current study also identifies important findings regarding the operations of these paratransit services.

- The HST’s brokerage model allows for greater cost containment and, unlike The Ride, does not necessitate the purchase and maintenance of vehicles. By inviting competition, including small and medium-sized companies, the HST MassHealth model also leads to slower cost growth, while The Ride’s costs continue to rise each year.
- The HST model enables the right vehicle to be provided for each right trip, whereas The Ride over-deploys vans.
- The HST model also increases the number of rides that serve more than a single passenger.
- Better coordination of paratransit services offers the opportunity to seek federal reimbursement

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for customers who use The Ride for Medicaid-eligible services.

In previous research, we have demonstrated that a change in MBTA bus maintenance operations would save upwards of \$40 million per year, and that aligning MBTA commuter rail services with its most similar counterpart would improve service and cost \$20 million less per year. The present study demonstrates that the MBTA could save between \$50 million and \$100 million annually over the next six years by adopting best practices already in place at another Massachusetts paratransit operator.

While Pioneer has been explicit in its call for an MBTA finance control board with enhanced powers and debt relief on the order of \$200 million, this and previous reports demonstrate that far greater savings can be achieved through reform than has previously been recognized by the Institute and other independent parties that have studied MBTA operations.

Endnotes

1. Massachusetts Department of Transportation “Community, Social Service, and Paratransit Transportation Commission Final Report pursuant to Executive Order 530.” July 19, 2012.
2. HST describes on its website that it contracts with six regional brokers to manage the transportation services of seven human service programs within six EOHHS agencies. In FY2014, HST’s brokers provided 7,240,234 trips to 44,718 EOHHS consumers at an average cost of \$21.63 per trip. Of these, 3,100,327 trips, 42.8%, were demand response non-emergency medical trips for Medicaid consumers and 4,079,637 were regularly scheduled route service trips. Since both The Ride and MassHealth are large-scale demand response services, we compare HST’s demand response service for Medicaid consumers with that of The Ride.
3. Massachusetts Inspector General letter to MBTA Board of Directors February 2012. <http://www.mass.gov/ig/publications/reports-and-recommendations/2012/mbtboardriderecommendationsletter2012.pdf>
4. <http://www.mass.gov/eohhs/docs/hst/hst-annual-report-fy14.pdf>
5. Massachusetts Inspector General report MBTA The RIDE Program review December 2011. <http://www.mass.gov/ig/publications/reports-and-recommendations/2011/mbtarideprogramreviewdec2011.pdf>
6. https://www.mbta.com/business_center/bidding_solicitations/pdf/RFP%2093-13%20The%20Ride%20West.pdf
7. http://www.fta.dot.gov/12325_3891.html



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