



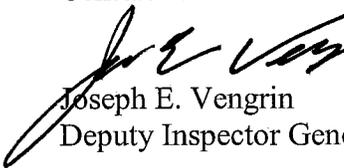
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

OCT 15 2007

**TO:** Kerry Weems  
Acting Administrator  
Centers for Medicare & Medicaid Services

**FROM:**   
Joseph E. Vengrin  
Deputy Inspector General for Audit Services

**SUBJECT:** Review of Minnesota Medicaid Reimbursement for Targeted Case Management Services for Fiscal Years 2003 and 2004 (A-05-05-00059)

Attached is an advance copy of our final report on Minnesota Medicaid reimbursement for targeted case management (TCM) services. We will issue this report to the State within 5 business days. This audit was part of a nationwide review of TCM Medicaid program payments.

Our objective was to determine whether the State agency's claim for Medicaid reimbursement of TCM services provided during fiscal years (FY) 2003 and 2004 complied with Federal and State requirements.

Based on our review of 118 claims in 100 sampled beneficiary-months, 7 claims included in 7 beneficiary-months were unallowable because the services were insufficiently documented or unsupported by the case records. The State agency and counties did not ensure that TCM services claimed under the Medicaid program met the documentation requirements prescribed by section 1902(a)(27)(A) of the Social Security Act, sections 2500.2 and 4302.2 of the Centers for Medicare & Medicaid Services "State Medicaid Manual," section 256B.094 of Minnesota Statutes, and Chapter 30 of the "Minnesota Health Care Programs Provider Manual." As a result, we estimate that during FYs 2003 and 2004, the State agency claimed \$7,311,860 (\$3,759,338 Federal share) in TCM costs that were unallowable. We considered the remaining 111 claims included in 93 beneficiary-months to be acceptable.

We recommend that the State agency:

- refund to the Federal Government the \$3,759,338 for undocumented and unsupported TCM services and
- ensure that TCM services claimed under the Medicaid program are properly documented and meet Federal and State requirements.

In written comments on our draft report, the State agency did not address our recommendations. The State agency requested information from us for the claims that lacked documentation or were unsupported. Based on the review of these claims, the State agency may modify existing or develop new policies and procedures to correct the problems. We provided the State agency with the requested information. We continue to recommend that the State agency refund \$3,759,338 to the Federal Government.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through e-mail at [George.Reeb@oig.hhs.gov](mailto:George.Reeb@oig.hhs.gov) or Marc Gustafson, Regional Inspector General for Audit Services, Region V, at (312) 353-2621 or through e-mail at [Marc.Gustafson@oig.hhs.gov](mailto:Marc.Gustafson@oig.hhs.gov). Please refer to report number A-05-05-00059 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF MINNESOTA  
MEDICAID REIMBURSEMENT FOR  
TARGETED CASE MANAGEMENT  
SERVICES FOR FISCAL YEARS  
2003 AND 2004**



Daniel R. Levinson  
Inspector General

October 2007  
A-05-05-00059

# ***Office of Inspector General***

<http://oig.hhs.gov>

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## **OAS FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.





DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF AUDIT SERVICES  
233 NORTH MICHIGAN AVENUE  
CHICAGO, ILLINOIS 60601

REGION V  
OFFICE OF  
INSPECTOR GENERAL

OCT 18 2007

Report Number: A-05-05-00059

Mr. Cal R. Ludeman  
Commissioner  
Department of Human Services  
P.O. Box 64998  
St. Paul, Minnesota 55164-0998

Dear Mr. Ludeman:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Minnesota Medicaid Reimbursement for Targeted Case Management Services for Fiscal Years 2003 and 2004." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me or contact Jaime Saucedo, Audit Manager, at (312) 353-8693, or through e-mail at [Jaime.Saucedo@oig.hhs.gov](mailto:Jaime.Saucedo@oig.hhs.gov). Please refer to report number A-05-05-00059.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc Gustafson".

Marc Gustafson  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Jackie Garner  
Regional Administrator  
Centers for Medicare & Medicaid Services, Region V  
233 North Michigan Avenue, Suite 600  
Chicago, Illinois 60601

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

Section 1905(a)(19) of the Act authorizes State Medicaid agencies to provide case management services to Medicaid beneficiaries. Section 1915(g)(2) of the Act defines Medicaid case management as “services which will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services.”

A 2001 CMS letter to State Medicaid directors refers to case management services as targeted case management (TCM) when the services are furnished to specific populations in a State. The letter provides that allowable TCM services for Medicaid-eligible beneficiaries include assessment of the beneficiary to determine service needs, development of a specific care plan, referral to needed services, and monitoring and followup. The letter specifies that allowable Medicaid case management services do not include direct medical, educational, or social services to which the Medicaid-eligible individual has been referred.

Following Federal law, CMS guidance (including the CMS “State Medicaid Manual”), and the “Minnesota Health Care Programs Provider Manual,” the Minnesota Department of Human Services (State agency) administers the Medicaid program by working with the State’s 87 counties. County human service agencies determine eligibility for medical assistance and administer the programs. The counties may provide TCM services directly or through contracts with vendors.

CMS approved four Minnesota State plan amendments related to case management services for four targeted groups: child welfare, mental health, vulnerable adults or adults with mental retardation or related conditions, and relocation service coordination. Under the State plan amendments, the State agency claimed \$346,601,957 (\$179,747,775 Federal share) for TCM services provided during Federal fiscal years (FY) 2003 and 2004.

### **OBJECTIVE**

Our objective was to determine whether the State agency’s claim for Medicaid reimbursement of TCM services provided during FYs 2003 and 2004 complied with Federal and State requirements.

## **SUMMARY OF FINDINGS**

Based on our review of 118 claims in our 100 sampled beneficiary-months, 7 claims included in 7 beneficiary-months were unallowable because the services were insufficiently documented or unsupported by the case records. The State agency and counties did not ensure that TCM services claimed under the Medicaid program met the documentation requirements prescribed by section 1902(a)(27)(A) of the Act, sections 2500.2 and 4302.2 of the CMS “State Medicaid Manual,” section 256B.094 of Minnesota Statutes, and Chapter 30 of the “Minnesota Health Care Programs Provider Manual.” As a result, we estimate that during FYs 2003 and 2004, the State agency claimed \$7,311,860 (\$3,759,338 Federal share) in TCM costs that were unallowable. We considered the remaining 111 claims included in 93 beneficiary-months to be acceptable.

## **RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government the \$3,759,338 for undocumented and unsupported TCM services and
- ensure that TCM services claimed under the Medicaid program are properly documented and meet Federal and State requirements.

## **STATE AGENCY’S COMMENTS AND OFFICE OF INSPECTOR GENERAL’S RESPONSE**

In written comments on our draft report, the State agency did not address our recommendations. The State agency requested information from us for those claims that lacked documentation or were unsupported. Based on the review of these claims, the State agency may modify existing or develop new policies and procedures to correct the problems. The State agency’s response is summarized in the body of the report and is included in its entirety as Appendix B to the report.

We provided the State agency with the requested information. We continue to recommend that the State agency refund \$3,759,338 to the Federal Government.

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## **INTRODUCTION**

### **BACKGROUND**

#### **Medicaid Program**

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

#### **Medicaid Targeted Case Management Services**

Section 1905(a)(19) of the Act authorizes State Medicaid agencies to provide case management services to Medicaid beneficiaries. Section 1915(g)(2) of the Act defines Medicaid case management as “services which will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services.” CMS’s State Medicaid Director’s Letter 01-013, issued January 19, 2001, refers to case management services as targeted case management (TCM) when the services are furnished to specific populations in a State. Activities commonly understood to be allowable TCM for Medicaid-eligible beneficiaries include assessment to determine service needs, development of a specific care plan, referral to needed services, and monitoring and followup.

#### **Minnesota Department of Human Services**

Following the CMS “State Medicaid Manual” and other CMS guidance, the Minnesota Department of Human Services (State agency) administers and monitors the Medicaid program by working with the State’s 87 counties. Under State law, the county human service agencies are responsible for determining the eligibility of beneficiaries for medical assistance and for administering social service programs for child welfare and for people who are mentally ill, chemically dependent, or have physical or developmental disabilities.

In Minnesota, counties provide child welfare services to help keep children safe by providing protective services, out-of-home care, and children’s mental health services. Counties provide services for individuals with mental illness and developmental disabilities so they can live as independently as possible. The counties may provide TCM services to these populations directly or through contracts with vendors.

CMS approved four Minnesota State plan amendments (SPA) regarding TCM services for child welfare, mental health, vulnerable adults, and relocation service coordination. Under the SPAs, the State agency claimed TCM costs totaling \$346,601,957 (\$179,747,775 Federal share) for services provided during the period October 1, 2002, through September 30, 2004.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the State agency's claim for Medicaid reimbursement of TCM services provided during Federal fiscal years (FY) 2003 and 2004 complied with Federal and State requirements.

### **Scope**

We reviewed TCM services for child welfare, mental health, and vulnerable adults provided by county and contracted agencies from October 1, 2002, through September 30, 2004. The State agency claimed \$344,828,772 (\$178,828,201 Federal share) for child welfare, mental health, and vulnerable adult TCM services provided during 684,640 beneficiary-months<sup>1</sup> during this period. We did not audit TCM services for relocation service coordination because the Federal share was only \$919,574.

The objective of our review did not require an understanding or assessment of the State's complete internal control structure. Our review of internal controls was limited to understanding claims processing controls. We did not review the propriety of the TCM payment rates.

We performed our fieldwork at the State agency's offices in St. Paul, Minnesota.

### **Methodology**

To accomplish our audit objective, we:

- reviewed Federal laws, regulations, and other requirements, including the approved SPAs, governing Medicaid reimbursement for TCM services;
- interviewed State agency officials and reviewed the State agency's TCM policies, procedures, and documentation requirements;
- reconciled the TCM services claimed for Federal reimbursement on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (the CMS-64) by the State agency to its accounting records;
- reviewed the Medicaid claiming process, provider billing procedures, rate methodology, and case record documentation;
- selected a random sample of 100 beneficiary-months with 118 TCM claims submitted by the State agency for Medicaid-eligible beneficiaries;

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<sup>1</sup>A beneficiary-month includes all TCM services for a beneficiary for 1 month. The beneficiary-month can include multiple claims from the same or different providers. This occurs when the beneficiary receives TCM services from both county and contracted providers and/or under two target groups, such as child welfare and mental health.

- analyzed documentation from the beneficiaries’ case records to determine if the activities performed and documented by the case managers for the 118 sampled TCM claims were in compliance with applicable requirements; and
- projected the results of our sample review to the universe of claims. (See Appendix A).

We conducted the audit in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATIONS**

Based on our review of 118 claims in our 100 sampled beneficiary-months, 7 claims included in 7 beneficiary-months were unallowable because the services were insufficiently documented or unsupported by the case records. The State agency and counties did not ensure that TCM services claimed under the Medicaid program met the documentation requirements prescribed by section 1902(a)(27)(A) of the Act, sections 2500.2 and 4302.2 of the CMS “State Medicaid Manual,” section 256B.094 of Minnesota Statutes, and Chapter 30 of the “Minnesota Health Care Programs Provider Manual” (State provider manual). As a result, we estimate that during FYs 2003 and 2004, the State agency claimed \$7,311,860 (\$3,759,338 Federal share) in TCM costs that were unallowable. We considered the remaining 111 claims included in 93 beneficiary-months to be acceptable.

### **PROGRAM REQUIREMENTS**

TCM program requirements are contained in Federal law, a CMS program manual, a CMS policy letter to State Medicaid directors, the Minnesota Statutes, and the State provider manual.

#### **Federal Law**

Section 1905(a)(19) of the Act authorizes State Medicaid agencies to provide case management services to Medicaid beneficiaries. Section 1915(g)(2) of the Act defines Medicaid case management as “services which will assist individuals eligible under the plan in gaining access to needed medical, social, educational, and other services.”

#### **Centers for Medicare & Medicaid Services “State Medicaid Manual”**

The CMS “State Medicaid Manual,” section 4302.2 specifically addresses the documentation requirements for claiming Medicaid TCM. Section 4302.2(G)(1), states:

Expenditures are made on behalf of eligible recipients included in the target group (i.e. there must be an identifiable charge related to an identifiable service provided to a recipient . . . . Payment for services is made following the receipt of a valid provider claim. Providers must maintain case records which indicate all contacts with and on behalf of recipients. The case records must document . . . the nature, extent, or units of service, and the place of service delivery.

Also, section 2500.2(A) of the CMS “State Medicaid Manual” generally instructs States to:

Report only expenditures for which all supporting documentation, in readily reviewable form, has been compiled and which is immediately available when the claim is filed. Your supporting documentation includes at a minimum the following: date of service, name of recipient, Medicaid identification number, name of provider agency and person providing the service, nature, extent or units of service, and the place of service. [Emphasis in the original.]

### **Centers for Medicare & Medicaid Services State Medicaid Director’s Letter**

In the State Medicaid Director’s Letter 01-013, issued January 19, 2001, CMS refers to case management services as TCM when the services are furnished to specific populations in a State. The letter provides that activities commonly understood to be allowable TCM services for Medicaid-eligible beneficiaries include assessment of the beneficiary to determine service needs, development of a specific care plan, referral to needed services, and monitoring and followup.

### **Minnesota Statutes and “Minnesota Health Care Programs Provider Manual”**

The Minnesota Statutes specify the documentation necessary when the State claims TCM for child welfare recipients. Section 256B.094, subdivision 7, of Minnesota Statutes states:

Each individual case record must maintain documentation of routine, ongoing contacts and services. Each claim must be supported by written documentation in the individual case record. Each claim must include . . . the nature and extent of services and the place of the services.

Chapter 30 of the State provider manual also specifies that, for child welfare TCM, “contact/case notes need to include the who, what, when, and why of the contact as well as the relationship of the person contacted to the client.”

### **INSUFFICIENT OR NO DOCUMENTATION**

We estimate that the State agency claimed at least \$7,311,860 (\$3,759,338 Federal share) for unallowable TCM services provided during the period from October 1, 2002, through September 30, 2004. Of the 118 claims reviewed in the 100 sampled beneficiary-months, 7 claims included in 7 beneficiary-months were unallowable because case managers did not properly document or support the case management services in the case notes, as required by section 1902(a)(27)(A) of the Act, sections 2500.2 and 4302.2 of the CMS “State Medicaid Manual,” section 256B.094 of Minnesota Statutes, and Chapter 30 of the State provider manual.

Section 1902(a)(27)(A) of the Act requires providers to keep records that fully disclose the extent of the services provided to Medicaid beneficiaries receiving assistance under the State plan. Section 2500.2 of the CMS “State Medicaid Manual” instructs States to report only expenditures for which all supporting documentation, in readily reviewable form, has been

compiled and is immediately available when the claim is filed. Section 4302.2 of the “State Medicaid Manual” instructs States to document the nature, extent, or units of TCM service, and the place of service delivery. Section 256B.094 of Minnesota Statutes specifies that each claim for child welfare TCM must be supported by written documentation and include the nature and extent of services and the place of the services. The State provider manual specifies that case records for child welfare TCM need to include “the who, what, when, and why of the contact.”

Although a contact or activity entry was recorded for four claims for TCM services, the case notes were insufficient to determine what services were provided. For example, the only note in the case record supporting one of the claims was “10-31-03 phone no contact home” and in the record for another claim, “office visit with [client] beginning @ 10AM.” The case notes for three claims did not include any documentation to support the provision of claimed services during the sampled month. This condition occurred because the State agency and county human service agencies did not ensure that TCM services were documented in accordance with Federal and State requirements. As a result, the State agency claimed Medicaid reimbursement for TCM services that did not meet Federal and State requirements and were, therefore, unallowable.

## **RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government the \$3,759,338 for undocumented and unsupported TCM services and
- ensure that TCM services claimed under the Medicaid program are properly documented and meet Federal and State requirements.

## **STATE AGENCY’S COMMENTS AND OFFICE OF INSPECTOR GENERAL’S RESPONSE**

In written comments on our draft report, the State agency did not address our recommendations. The State agency requested information from us for those claims that lacked documentation or were unsupported. Based on the review of these claims, the State agency may modify existing or develop new policies and procedures to correct the problems.

We provided the State agency with the requested information. We continue to recommend that the State agency refund \$3,759,338 to the Federal Government.

# **APPENDIXES**

## **SAMPLING METHODOLOGY AND RESULTS**

### **POPULATION**

The population was 684,640 beneficiary-months of service for beneficiaries receiving Medicaid targeted case management (TCM) services from October 1, 2002, through September 30, 2004.<sup>1</sup> A beneficiary-month was defined as all TCM services for one beneficiary for 1 month. The beneficiary-month can include multiple claims from the same or different providers. This occurs when the beneficiary is receiving TCM services from both county and contracted providers and/or under two target groups, such as child welfare and mental health. The State agency claimed \$178,828,201 in Federal reimbursement for these services.

### **SAMPLE UNIT**

The sampling unit was a beneficiary-month for which a TCM service was provided and paid for by the State agency during fiscal years 2003 and 2004.

### **SAMPLE DESIGN**

From the 684,640 beneficiary-months, we selected an unrestricted random sample of 100 beneficiary-months, which included 118 claims totaling \$53,808 (\$27,906 Federal share).

### **ESTIMATION METHODOLOGY**

We used the Office of Audit Services RAT-STATS variable appraisal program for unrestricted samples to project the amount the Minnesota Department of Human Services paid in unallowable claims due to insufficiently documented or unsupported case records.

### **SAMPLE RESULTS: INSUFFICIENT OR NO DOCUMENTATION**

Of the 118 claims included in the 100 sampled beneficiary-months, 7 beneficiary-months included payment errors totaling \$3,241 (\$1,673 Federal share). Using the lower limit of the 90-percent confidence interval, we estimate that the State agency claimed \$3,759,338 in Federal reimbursement during our audit period for TCM services that were insufficiently documented or unsupported by the case records.

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<sup>1</sup>We did not audit TCM services for relocation service coordination because the Federal share was only \$919,574.

**Estimate of Unallowable Services at the 90-Percent Confidence Level**

	<b>Total Unallowable</b>	<b>Federal Share</b>
Point Estimate	\$22,189,182	\$11,455,509
Lower Limit	\$7,311,860	\$3,759,338
Upper Limit	\$37,066,505	\$19,151,681
Precision Amount	\$14,877,323	\$7,696,171
Precision Percent	67.05%	67.18%



Minnesota Department of **Human Services**

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September 11, 2007

Marc Gustafson  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
Office of the Inspector General for Audit Services  
233 North Michigan Avenue, Suite 1360  
Chicago, Illinois 60601

RE: Review of Minnesota Medicaid Reimbursement for Targeted Case Management Services  
Audit Report Number A-05-05-00059

Dear Mr. Gustafson:

Thank you for the opportunity to review and comment on your report covering Targeted Case Management Services in Minnesota. It is our understanding that our response will be published in the Office of the Inspector General's final audit report. We appreciated the effort of your staff in keeping the department informed of their progress during the audit. The report's findings and recommendations are:

Recommendation #1: Refund to the Federal Government the \$3,759,338 for undocumented and unsupported TCM services.

Recommendation #2: Ensure that TCM services claimed under the Medicaid program are properly documented and Federal and State requirements.

We will be requesting from your audit staff copies of their work papers for those claims that lack documentation or were unsupported to determine the reason(s) that the claims were not supported. Based on our review, the department may modify existing or develop new policies and procedures to correct the problems.

The Department of Human Services policy is to follow-up on all audit findings to evaluate the progress being made to resolve them. Progress is monitored until full resolution has occurred. If you have any further questions, please contact David Ehrhardt, Internal Audit Director, at (651) 4313619.

Sincerely,

Cal R. Ludeman  
Commissioner

cc: Leslie Leach