



APR 11 2008

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

FROM: Daniel R. Levinson *Daniel R. Levinson*
Inspector General

SUBJECT: Review of Kansas's Medicaid Payments for the Child Welfare Services Program for the Period July 1, 2000, Through June 30, 2003 (A-07-06-03079)

Attached is an advance copy of our final report on Kansas Medicaid payments for the Child Welfare Services program from July 1, 2000, through June 30, 2003. We will issue this report to the Kansas Department of Social and Rehabilitation Services (the State agency) within 5 business days.

Our objective was to determine whether the State agency claimed allowable Medicaid payments for the Child Welfare Services program during State fiscal years (FY) 2001 through 2003 (July 1, 2000–June 30, 2003) in accordance with expenditure limitations contained in the State plan.

The State agency did not assure that its \$61,371,523 (\$36,943,979 Federal share) claim was equal to or less than the limit specified in the State plan. Without such assurance—supported with auditable documentation—we are unable to express an opinion on the reasonableness of the State agency's claim on the Centers for Medicare & Medicaid Services (CMS) Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program reports.

The State agency's inadequate policies and procedures were the causes of its inability to provide such assurance.

We recommend that the State agency:

- work with CMS to determine the allowability of the \$61,371,523 (\$36,943,979 Federal share) for the audit period of State FYs 2001 through 2003 and all subsequent periods and
- strengthen its policies and procedures to ensure that State plan requirements are followed in submitting future child welfare services claims.

In written comments on our draft report, the State agency concurred with our first recommendation. The State agency did not directly address our second recommendation, but it stated “We did, and will continue to, make every effort to comply with State plans submitted to the federal government.” The State agency said that it disagreed with the “factual determinations and interpretations” in the report, but it did not include any specific discussion points to elaborate on the disagreement.

After reviewing the State agency’s comments, we continue to support our findings and recommendations.

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 or Patrick J. Cogley, Regional Inspector General for Audit Services, Region VII, at (816) 426-3591 or through e-mail at Patrick.Cogley@oig.hhs.gov. Please refer to report number A-07-06-03079.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

APR 14 2008

Report Number: A-07-06-03079

Mr. Don Jordan
Secretary
Kansas Department of Social and Rehabilitation Services
Docking State Office Building, 6th Floor
915 SW. Harrison Street
Topeka, Kansas 66612-1570

Dear Mr. Jordan:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Kansas's Medicaid Payments for the Child Welfare Services Program for the Period July 1, 2000, Through June 30, 2003." 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 Greg Tambke, Audit Manager, at (573) 893-8338, ext. 30, or through e-mail at Greg.Tambke@oig.hhs.gov. Please refer to report number A-07-06-03079 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick J. Cogley", written over a white background.

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF KANSAS'S MEDICAID
PAYMENTS FOR THE CHILD
WELFARE SERVICES PROGRAM
FOR THE PERIOD JULY 1, 2000,
THROUGH JUNE 30, 2003**



Daniel R. Levinson
Inspector General

April 2008
A-07-06-03079

Office of Inspector General

<http://oig.hhs.gov>

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General 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).

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security 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. The State also may provide optional coverage of rehabilitation services.

In Kansas, at the time of our review, the Department of Social and Rehabilitation Services (the State agency) administered the Medicaid program. (Since the time of our review, the State has transferred the Medicaid program to another State agency, the Kansas Health Policy Authority.) The State agency provides rehabilitation services through its Child Welfare Services program, which includes the Family Preservation, Adoption, and Foster Care programs, and targeted case management services.

Contracted Providers

The State agency contracted with providers for child welfare services and paid providers on a per-child basis in the form of lump-sum payments, which included monthly base fees and per-child monthly rates. Consequently, the State agency's lump-sum payments to providers included amounts for Medicaid services, Title IV-E programs, and State-only funded programs that were not separately identified.

Centers for Medicare & Medicaid Services's Review

In 2004, CMS reviewed the State agency's Child Welfare Services program. CMS determined that the State agency had submitted claims for Federal reimbursement that did not reflect actual payments to providers. As a result, CMS deferred reimbursement for expenditures that did not meet Federal and State requirements. CMS began the deferral with the quarter that ended September 30, 2003, and it remained in effect as of the quarter that ended March 31, 2007.

CMS requested that we audit the Child Welfare Services program for the period of July 1, 2000, through June 30, 2003, in response to its review.

OBJECTIVE

Our objective was to determine whether the State agency claimed allowable Medicaid payments for the Child Welfare Services program during State fiscal years (FY) 2001 through 2003 (July 1, 2000–June 30, 2003) in accordance with expenditure limitations contained in the State plan.

SUMMARY OF FINDINGS

The State agency did not assure that its \$61,371,523 (\$36,943,979 Federal share) claim was equal to or less than the limit specified in the State plan. Without such assurance—supported with auditable documentation—we are unable to express an opinion on the reasonableness of the State agency’s claim on the CMS Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64) reports.

The State agency’s inadequate policies and procedures were the causes of its inability to provide such assurance.

RECOMMENDATIONS

We recommend that the State agency:

- work with CMS to determine the allowability of the \$61,371,523 (\$36,943,979 Federal share) for the audit period of State FYs 2001 through 2003 and all subsequent periods and
- strengthen its policies and procedures to ensure that State plan requirements are followed in submitting future child welfare services claims.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with our first recommendation. The State agency did not directly address our second recommendation, stating instead that “We did, and will continue to, make every effort to comply with State plans submitted to the federal government.” The State agency said that it disagreed with the “factual determinations and interpretations” in the report, but it did not include any specific discussion points to elaborate on the disagreement. The State agency’s comments are included in their entirety as the appendix.

After reviewing the State agency’s comments, we continue to support our findings and recommendations.

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INTRODUCTION

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security 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. The State also may provide optional coverage of rehabilitation services.

In Kansas, at the time of our review, the Department of Social and Rehabilitation Services (the State agency) administered the Medicaid program. (Since the time of our review, the State has transferred the Medicaid program to another State agency, the Kansas Health Policy Authority.) The State agency provides rehabilitation services through its Child Welfare Services program, which includes the Family Preservation, Adoption, and Foster Care programs, and targeted case management services.

Consulting Service

In April 1999, the State agency contracted with Maximus, Inc. (Maximus), under a contingency fee arrangement for services designed to maximize Federal reimbursement by identifying additional Title XIX claims and sources of Federal funding. Before this contract, the State agency had been receiving Federal reimbursement at levels it regarded as lower than allowable. Under this contract, Maximus designed a system so that the State agency would be eligible for higher levels of Federal funding under Medicaid for child welfare services. The contingency fee payment from the State agency to Maximus was based on the net amount of Federal reimbursement. Maximus created a claims data base used to report amounts to the State agency for claiming Federal reimbursement for child welfare services on the CMS Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64) reports.

Contracted Providers

The State agency contracted with providers for child welfare services and paid providers on a per-child basis in the form of lump-sum payments, which included monthly base fees and per-child monthly rates. Consequently, the State agency's lump-sum payments to providers included amounts for Medicaid services, Title IV-E (Foster Care and Adoption Assistance) programs, and State-only funded programs that were not separately identified.

Centers for Medicare & Medicaid Services’s Review

In 2004, CMS reviewed the State agency’s Child Welfare Services program. CMS determined that the State agency had submitted claims for Federal reimbursement that did not reflect actual expenditures. As a result of its review, CMS deferred reimbursement for expenditures that did not meet Federal and State requirements, beginning with the quarter that ended September 30, 2003. This deferral remained in effect as of the quarter that ended March 31, 2007.

CMS requested that we audit the Child Welfare Services program for the period of July 1, 2000, through June 30, 2003, to determine whether the State agency had claimed allowable Medicaid payments for child welfare services.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed allowable Medicaid payments for the Child Welfare Services program during State fiscal years (FY) 2001 through 2003 (July 1, 2000–June 30, 2003) in accordance with expenditure limitations contained in the State plan.

Scope

We reviewed the State agency’s child welfare services claim for Federal reimbursement, totaling \$61,371,523 (\$36,943,979 Federal share), during State FYs 2001 through 2003; these amounts were not addressed in the Office of Inspector General reviews mentioned below.

We did not review the State agency’s overall internal control structure because our objective did not require us to do so. We limited our internal control review to those controls related directly to child welfare services to determine whether the State agency’s procedures for claiming child welfare services were allowable.

We did not review the services provided to eligible children to verify that they were allowable child welfare services.

We conducted this review concurrently with the audits of the targeted case management services (“Review of Kansas’s Medicaid Payments for Targeted Case Management for the Period July 1, 2000, Through June 30, 2003,” report number A-07-06-03074) and of the Family Preservation program (“Review of Kansas’s Medicaid Payments for the Family Preservation Program for the Period July 1, 2000, Through June 30, 2003,” report number A-07-06-03076).

We performed our fieldwork at the State agency’s office in Topeka, Kansas.

Methodology

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, and guidelines related to the Medicaid program and child welfare services, as well as the State plan;
- interviewed (1) CMS staff, to understand CMS's role in approving the State plan and providing guidance to the State agency for child welfare services, (2) State agency officials, to discuss the State agency's policies and procedures for claiming Federal reimbursement for child welfare services, and (3) State agency providers responsible for the provision of services;
- reviewed data files for State FYs 2001 through 2003 and reconciled the claim amounts in the files to the expenditures claimed on the CMS-64 reports;
- analyzed claims data used to support Federal reimbursement for State FYs 2001 through 2003;
- reviewed and evaluated the State agency's contracts with providers to determine how payments were made; and
- obtained an understanding of computer controls and edits established by the State agency for claiming Federal reimbursement.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

The State agency did not assure that its \$61,371,523 (\$36,943,979 Federal share) claim was equal to or less than the limit specified in the State plan. Without such assurance—supported with auditable documentation—we are unable to express an opinion on the reasonableness of the State agency's claim on the CMS-64 reports.

NONCOMPLIANCE WITH THE REQUIREMENTS OF THE STATE PLAN

State Plan Requirements

The State plan, Attachment 4 19-B #13d, requires that the amount paid for child welfare services equal the lesser of the fee-for-service rate or the amount actually paid to the provider. To determine the amount to be claimed for child welfare services, the State plan, in the following quote, requires that:

- 1) Encounter data is collected for each service provided.
- 2) When all eligibility criteria are met, the Medicaid fee-for-service payment rate is multiplied times the number of services provided to determine the Medicaid allowable cost.
- 3) The amounts determined above in steps 1 and 2, for each Medicaid eligible individual, are totaled.
- 4) The amounts paid to the provider, for each Medicaid eligible individual, are totaled.
- 5) The lesser of the amounts determined in steps 3 and 4 is the amount claimable to federal financial participation [Federal reimbursement] for each Medicaid eligible individual.
- 6) The amounts determined in step 5 above is accumulated for all Medicaid eligible individuals.

State Agency Compliance With the State Plan

The State agency did not assure that its claim on the CMS-64 reports was equal to the lesser of the fee-for-service rate or the amount actually paid to the provider. The State plan required that the fee-for-service rate and the actual amount paid to providers be computed on an individual basis and compared to ensure the lesser amount was claimed for Federal reimbursement.

The State agency did not compare the fee-for-service rate to the actual amount paid to providers. It was unable to complete the required comparison, as it did not determine the actual amount paid to providers for child welfare services provided to each eligible individual. The State agency paid its providers on a per-child basis in the form of lump-sum payments, which included amounts for Medicaid services, Title IV-E programs, and services of State-only programs that were not separately identified. However, the State agency could not provide documentation demonstrating that it had determined the actual amount paid to providers for child welfare services, as required by the State plan.

Our evaluation of the State agency's policies and procedures showed that they were inadequate and that they:

- did not specify the data sources to be queried to perform the comparison,
- did not specify the organizational unit or position in the State agency responsible for preparing the comparison,
- did not identify a target date for completing the comparison, and
- did not address the stages needed to amend the CMS-64 if required.

Because the State agency did not determine the actual amount paid to providers for child welfare services and compare it to the fee-for-service rate, it was not possible to determine the lesser amount as the State plan required. Thus, in evaluating the State agency's claim for child welfare services on the CMS-64 reports, we could not be assured that it used the lesser of the fee-for-service rate or the actual amount paid to providers. Accordingly, the State agency was not in compliance with its State plan. Because some child welfare services may have been provided, we are setting aside the \$61,371,523 (\$36,943,979 Federal share) for adjudication by CMS.

CONCLUSION

Because the State agency did not determine the actual amount paid to providers and compare it to the fee-for-service rate, it could not determine the lesser of those two amounts. Thus, it was not in compliance with its State plan and could not assure that its \$61,371,523 (\$36,943,979 Federal share) claim on the CMS-64 reports did not exceed the lesser of the fee-for-service rate or the actual payment.

The State agency's inadequate policies and procedures were the causes of its inability to provide such assurance.

RECOMMENDATIONS

We recommend that the State agency:

- work with CMS to determine the allowability of the \$61,371,523 (\$36,943,979 Federal share) for the audit period of State FYs 2001 through 2003 and all subsequent periods and
- strengthen its policies and procedures to ensure that State plan requirements are followed in submitting future child welfare services claims.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with our first recommendation. The State agency did not directly address our second recommendation, stating instead that "We did, and will continue to, make every effort to comply with State plans submitted to the federal government." The State agency said that it disagreed with the "factual determinations and interpretations" in the report, but it did not include any specific discussion points to elaborate on the disagreement. The State agency's comments are included in their entirety as the appendix.

After reviewing the State agency's comments, we continue to support our findings and recommendations.

APPENDIX



Kathleen Sebelius, Governor
Don Jordan, Secretary

www.srskansas.org

February 1, 2008

Re: Report Number: A-07-06-03079; Response to Draft Audit Report – "Review of Kansas's Medicaid Payments for the Child Welfare Services Program for the Period July 1, 2000 through June 30, 2003"

Mr. Patrick J. Cogley
Regional Inspector General for Audit Services
Office of Inspector General
Office of Audit Services
Region VII
601 East 12th Street, Room 284A
Kansas City, Missouri 64106

Dear Mr. Cogley:

Thank you for giving us the opportunity to respond to the above referenced draft report. We appreciate the professionalism of your staff in conducting the audit and in keeping us informed of its status. We disagree with the factual determinations and interpretations in the audit report and have the following comments in response to your recommendations:

OIG Recommendation: We recommend the State agency work with CMS to determine the allowability of the \$61,371,523 (\$36,943,979 Federal share) for the audit period of State FY 2001 through 2003 and all subsequent periods.

State of Kansas SRS Response: We concur with the recommendation that we should work with CMS to resolve the \$61,371,523 (\$36,943,979 Federal share) questioned amount noted in the report.

OIG Recommendation: We recommend the State agency strengthen internal controls to ensure that State plan requirements are followed in submitting future child welfare services claims.

State of Kansas SRS Response: We did, and will continue to, make every effort to comply with State plans submitted to the federal government.

OFFICE OF THE SECRETARY – DON JORDAN, SECRETARY
Docking State Office Building, 915 SW Harrison Street, 6th Floor, Topeka, KS 66612-1570
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Response to OIG Draft Audit Report – A-07-06-03079
Review of Kansas's Medicaid Payments for the Child Welfare Services Program
Page 2

Should you have any questions concerning this response, please contact Laura Howard, Assistant Secretary of SRS, at 785-296-3271.

Sincerely,



Don Jordan
Secretary

MSH

Cc: Laura Howard, Assistant Secretary, SRS
Ray Dalton, Deputy Secretary, HCP, SRS
Candace Shively, Deputy Secretary, ISD, SRS
John Badger, General Counsel, SRS
Mary S. Hoover, CAE/Director, Office of Audit, SRS
Dr. Marci Niclsen, Executive Director, Kansas Health Policy Authority
Roxie Namey, Kansas Health Policy Authority