Department of Health and Human Services
Office of Inspector General
Office of Audit Services

September 2026 | A-07-24-03259

Tennessee Claimed Federal Medicaid Reimbursement for Millions of Dollars in Targeted Case Management Services That Did Not Comply With Federal and State Requirements

September 2026 | A-07-24-03259

Tennessee Claimed Federal Medicaid Reimbursement for Millions of Dollars in Targeted Case Management Services That Did Not Comply With Federal and State Requirements

Why OIG Did This Audit

- Targeted Case Management (TCM) services assist Medicaid enrollees in gaining access to medical, social, educational, and other types of services.
- Previous OIG audits found that some States did not claim Federal Medicaid reimbursement for some TCM services in accordance with Federal and State requirements.
- This audit examined whether Tennessee claimed Federal Medicaid reimbursement for TCM services during FYs 2021 through 2023 (audit period) in accordance with Federal and State requirements.

What OIG Found

Tennessee claimed Federal Medicaid reimbursement for some TCM services during our audit period that did not comply with Federal and State requirements.

- Of 150 sampled grouped line items, 43 were unallowable because the enrollees did not meet the eligibility criteria for the target group designated in the Tennessee State plan.
- Of these, 13 sampled grouped line items involved enrollees who were not at serious or imminent risk of entering State custody and therefore did not meet the eligibility criteria.
- The remaining 30 sampled grouped line items (of the 43) involved enrollees who had received early intervention case management services. Because Tennessee did not perform an assessment to determine whether these enrollees were at serious or imminent risk of entering State custody, the State incorrectly claimed those services as TCM services for Federal Medicaid reimbursement.

Based on our sample results, we estimated that Tennessee claimed at least $59.3 million (Federal share) in unallowable Medicaid reimbursement.

What OIG Recommends

We recommend that Tennessee refund $59.3 million (Federal share) in unallowable Medicaid reimbursement. We also recommend that the State revise its procedures to include a step to verify that enrollees meet the eligibility criteria for an approved target group before it submits claims for TCM services.

Tennessee did not concur with either of our recommendations.

TABLE OF CONTENTS

APPENDICES

INTRODUCTION

WHY WE DID THIS AUDIT

Case management services assist Medicaid enrollees in gaining access to medical, social, educational, and other types of services. When these services are furnished to one or more specific populations within a State, they are known as Targeted Case Management (TCM) services. During Federal fiscal years (FYs) 2021 through 2023, the Tennessee Division of TennCare (State agency) claimed $503.5 million ($370.5 million Federal share) for TCM services. Previous Office of Inspector General (OIG) audits (Appendix B) found that some States did not claim Federal Medicaid reimbursement for some TCM services in accordance with Federal and State requirements.

OBJECTIVE

Our objective was to determine whether the State agency claimed Federal Medicaid reimbursement for TCM services during FYs 2021 through 2023 in accordance with Federal and State requirements.

BACKGROUND

Medicaid Program

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.[1] Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

States use the standard Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64 report), to report actual Medicaid expenditures for each quarter. CMS uses the CMS-64 reports to reimburse States for the Federal share of Medicaid expenditures. The amounts that States report on the CMS-64 report and its attachments must reflect actual expenditures and be supported by documentation. The amount that the Federal Government reimburses to State Medicaid agencies, known as Federal financial participation (FFP) or Federal share, is determined by the Federal medical assistance percentage (FMAP), which varies based on a State's relative per capita income. Although FMAPs are adjusted

[1] A Medicaid State plan is an agreement between a State and the Federal Government describing how that State administers its Medicaid programs. The State plan identifies and describes groups of individuals to be covered, services to be provided, methodologies for providers to be reimbursed, and other administrative activities. When a State is planning to make a change to its program policies or operational approach, it sends one or more State plan amendments (SPAs), which may include supplements, to CMS for review and approval.

annually for economic changes in the States, Congress may increase or decrease FMAPs at any time. During our audit period, Tennessee's FMAP ranged from 68.60 percent to 82.30 percent.

Medicaid Coverage of Targeted Case Management Services

The Social Security Act (the Act) authorizes State Medicaid agencies to provide case management services to Medicaid enrollees (§ 1905(a)(19)). Furthermore, the Act defines case management services as "services which will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services" (§ 1915(g)(2)).

Federal regulations (42 CFR § 440.169(b)) refer to case management services as TCM services when they are furnished to specific populations in a State. Federal regulations state that allowable TCM services include assessment of an individual to determine service needs, development of a specific care plan, referral and related activities to help the individual obtain needed services, and monitoring and followup activities (42 CFR § 440.169(d)).

However, Federal regulations also state that TCM services do not include the direct delivery of the underlying medical, educational, social, or other services to which the Medicaid-eligible individual has been referred, including services such as providing transportation (42 CFR § 441.18(c)).

The CMS *State Medicaid Manual* states that FFP is not available for the specific services needed by an individual as identified through case management activities unless those services are separately reimbursable under Medicaid. Also, FFP is not available for the cost of the administration of the services or programs to which enrollees are referred (*State Medicaid Manual* § 4302.2(G)(1)).

Tennessee Medicaid Program and Targeted Case Management

In Tennessee, the Division of TennCare (State agency) administers the Medicaid program. The Department of Children's Services (DCS) and the Department of Intellectual and Developmental Disabilities (DIDD) are separate departments of the Tennessee State Government, co-equal in status to the State agency. During our audit period, DCS and DIDD operated components of the TCM program in the context of the "Children in State Custody or at Risk of State Custody" target group (explained further below). Although the details of our findings generally involve DCS and DIDD in their operational roles with respect to the TCM program, we are addressing our findings and recommendations to the State agency, which retains overall responsibility for the administration of the TCM program.

The State agency uses the Medicaid Management Information System, a computerized payment and information reporting system, to process and pay Medicaid claims.

The Tennessee State plan addresses the provision of TCM services and designates five target groups to receive TCM services during our audit period:[2]

- Pregnant Women,
- Infants and Children to Age 2,
- Mental Health,
- Children in State Custody or at Risk of State Custody, and
- Children's Special Services.

For each target group, the State plan contains information about, among other things, allowable TCM services, enrollee TCM eligibility requirements, and case management provider qualifications.

In general, the State agency receives and reviews bills for TCM services submitted by Medicaid providers, processes payments, and claims Federal Medicaid reimbursement for these services on the CMS-64 reports.

Although the Tennessee State plan designates five target groups to receive TCM services, during our audit period, the State agency claimed reimbursement only for services provided to the "Children in State Custody or at Risk of State Custody" target group.

The Tennessee State Plan, Attachment 4.19B, "Methods & Standards for Establishing Payment Rates," states that TCM services for the "Children in State Custody or at Risk of State Custody" target group are billed on a per-member-per-month basis (also known as a monthly encounter payment rate). However, during our audit period the State agency actually submitted claims using a per-day unit to prorate payments for partial months. Rates for this target group include both a "custody" rate (for children already in State custody) and a "non-custody" rate (for children at risk of being in State custody). Our calculations for this audit report take into account the rate in effect for each claim we sampled.

Tennessee Determination of Eligibility and Claims Processing

The CMS-approved Tennessee State plan amendment (SPA) for the "Children in State Custody or at Risk of State Custody" target group defines the non-custody target population as children who are at imminent or serious risk of being placed in State custody. The SPA defines "imminent risk" as a status which, absent of intervention, will likely result in a child being placed in or returned to State custody. The SPA defines "serious risk" as children identified by DCS as being highly likely to come into custody (Tennessee State Plan, Supplement 1 to Attachment 3.1-A).

[2] Tennessee received CMS approval to add Early Intervention as a designated target group effective April 1, 2025, which was after our audit period.

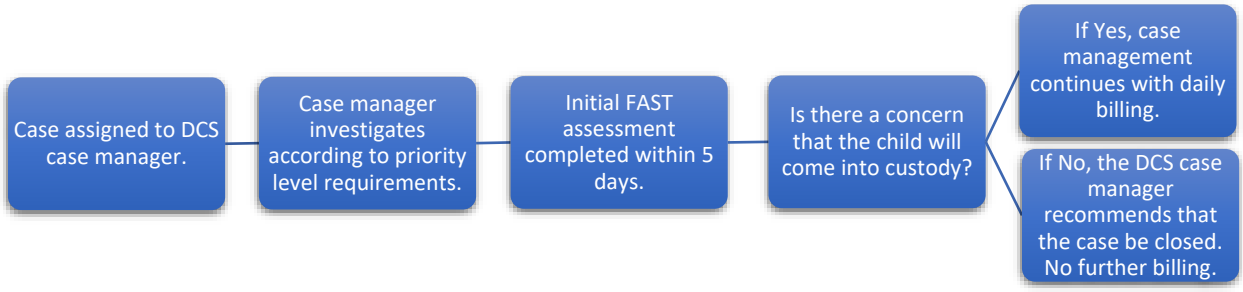
During our audit, State agency officials told us that DCS case managers use one of two tools to assess whether children meet these eligibility criteria for TCM services:

1. The Family Advocacy and Support Tool (FAST) evaluates a child's safety and risk levels within the home environment. This tool guides case managers in determining whether immediate intervention should be recommended and whether there are any identified risks or service needs that may warrant further action. The tool provides case managers with domains such as housing stability, caregiver functioning, and child vulnerability, and produces a summary rating that informs case planning and service decisions.

2. The Child and Adolescent Needs and Strengths (CANS) tool supports care planning, level-of-care decision making, and the monitoring of service outcomes. It gathers information on a child's needs and strengths across multiple domains, such as emotional and behavioral functioning, life skills, risk behaviors, and family dynamics. Each item is rated collaboratively by the provider, youth, and family to identify areas requiring immediate attention and to highlight strengths that can be leveraged in service planning. In Tennessee, the CANS assessment is typically used when a child has been involved with the juvenile court system.

The Figure describes the steps taken by a DCS case manager to determine whether a child is at risk of State custody (and is thus eligible for TCM):

Figure: Eligibility Assessment



Tennessee Early Intervention System

The Tennessee Early Intervention System (TEIS), administered by DIDD, provides therapy and developmental services to children from birth until age 3, with an option for these services to continue until age 4 for eligible children. TEIS services are offered at no cost to families and include service coordination, developmental assessment and monitoring, and therapies such as physical, occupational, and speech therapy, along with family training and other supports. Eligibility is determined through a multidisciplinary evaluation process that reviews medical records and developmental assessments. A child qualifies for TEIS if diagnosed with a condition

likely to result in developmental delay or if an evaluation shows a 25 percent delay in two developmental areas or a 40 percent delay in one area.

TEIS assessments conducted by DIDD case managers do not assess whether a child is at serious or imminent risk of being in State custody.

HOW WE CONDUCTED THIS AUDIT

Our audit covered TCM services that the State agency rendered and paid for during FYs 2021 through 2023 (October 1, 2020, through September 30, 2023) (audit period).[3] We identified a sampling frame of 682,914 unique TCM grouped line items totaling $503,468,529 ($370,463,495 Federal share), from which we selected a stratified random sample of 150.[4] Of the 150 sampled grouped line items, 120 were for services rendered by DCS case managers and 30 were for services rendered by DIDD case managers.

For each sampled grouped line item, the State agency gave us case notes describing the TCM services rendered, case manager qualification documents, and enrollee eligibility documents.

We reviewed the documentation that the State agency gave us for services rendered, enrollee eligibility, and provider qualifications to determine whether the TCM services rendered and paid for complied with Federal and State requirements. We also compared the rates that the State agency paid to the payment rates that the State agency had approved.

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 objectives.

Appendix A contains details of our audit scope and methodology, Appendix B lists previously issued OIG reports, Appendix C contains our statistical sampling methodology, Appendix D contains our sample results and estimates, Appendix E contains details on the Federal and State requirements related to TCM, and Appendix F contains a summary of errors for each sampled grouped line item.

[3] A portion of this timeframe was during the COVID-19 Public Health Emergency, during which enrollees were not required to renew enrollment in Medicaid and for which Congress provided an increased FMAP rate of 72.56 percent in Tennessee. Additionally, part of the audit period was subject to an increased FMAP rate of 82.30 percent under the American Rescue Plan. All of our calculations for this audit report take into account the FMAPs in effect for each quarter's CMS-64 report in our audit period.

[4] We grouped the TCM enrollee services by enrollee name, enrollee identification number, date of birth, provider name, and month and year of the TCM service. We refer to the results as "grouped line items."

FINDINGS

The State agency claimed Federal Medicaid reimbursement for some TCM services during FYs 2021 through 2023 that did not comply with Federal and State requirements. Specifically, 43 of the 150 sampled grouped line items were unallowable because the enrollees did not meet the eligibility criteria for the "Children in State Custody or at Risk of State Custody" target group. In some of these cases, the enrollees had received early intervention case management services under the TEIS but did not meet the eligibility criteria for the "Children in State Custody or at Risk of State Custody" target group under the State plan.

Although the State agency generally had policies and procedures in place for administering TCM services, it did not follow its procedures to identify the enrollees who met the eligibility criteria for the "Children in State Custody or at Risk of State Custody" target group. Case managers completed the required assessments, but DCS staff did not use the results of those assessments to determine eligibility before the State agency submitted claims for Federal Medicaid reimbursement. Additionally, the State agency did not perform an assessment to determine whether enrollees who received early intervention case management services under the TEIS were at serious or imminent risk of entering State custody. Because the State agency did not verify whether these enrollees met the criteria for a designated TCM target group under the State plan, those services were incorrectly claimed as TCM services for Federal Medicaid reimbursement. For all 43 of the sampled grouped line items that we identified as unallowable, the State agency claimed Federal Medicaid reimbursement for TCM services that did not comply with Federal and State requirements.

Based on our sample results, we estimated that the State agency claimed at least $80,432,675 ($59,300,776 Federal share) in unallowable Medicaid reimbursement for TCM services during our audit period.[5]

PROVIDERS INCORRECTLY BILLED TARGETED CASE MANAGEMENT SERVICES FOR SOME ENROLLEES WHO WERE NOT ELIGIBLE FOR THE TARGET GROUP DESIGNATED UNDER THE STATE PLAN

Federal regulations state that TCM services may be offered to individuals in any defined location of the State or to individuals within targeted groups specified in the State plan (42 CFR § 440.169(b)).

Federal regulations at 42 CFR § 440.169(d) describe the types of assistance that TCM case managers may provide in assisting eligible individuals to obtain services.

[5] To be conservative, we recommend recovery at the lower limit of a two-sided 90-percent confidence interval. Lower limits calculated in this manner are designed to be less than the actual overpayment total 95 percent of the time.

Federal regulations require TCM providers to maintain case records that document, for all individuals receiving TCM services, "[t]he nature, content, units of the [TCM] services received and whether goals specified in the care plan have been achieved" (42 CFR § 441.18(a)(7)(iv)).

The CMS *State Medicaid Manual* states that expenditures are allowable only to the extent that, when a claim is filed, the State has "adequate supporting documentation in readily reviewable form to assure that all applicable Federal requirements have been met" (*State Medicaid Manual* § 2497.1).

The CMS-approved Tennessee SPA defines the non-custody target population as children who are at imminent or serious risk of being placed in State custody. The SPA defines "imminent risk" as a status which, absent of intervention, will likely result in a child being placed in or returned to State custody. The SPA defines "serious risk" as children identified by DCS as being highly likely to come into custody (Tennessee State Plan, Supplement 1 to Attachment 3.1-A).

For details on these Federal and State requirements, see Appendix E.

For 43 sampled grouped line items, the State agency claimed unallowable Federal Medicaid reimbursement for TCM services rendered to enrollees who did not meet the eligibility criteria for the "Children in State Custody or at Risk of State Custody" target group. These enrollees did not meet these eligibility criteria because they either (1) were not at serious or imminent risk of entering State custody or (2) had received early intervention case management services under the TEIS but for which the State agency did not perform an assessment to determine whether the enrollees were at serious or imminent risk of entering State custody.

Of these 43 unallowable sampled grouped line items:

- Thirteen sampled grouped line items involved enrollees who were served by DCS case managers but who were not at serious or imminent risk of entering State custody. Documentation provided by the State agency included FAST or CANS assessments, completed by DCS case managers, that evaluated each child's risk and safety level. According to the documentation that the State agency gave us, the case manager assessments for each of these enrollees assigned a risk level of either "low" or "no" with respect to the risk of entering State custody.

  For example, we reviewed two assessments completed in a child's home by the DCS case manager (in January and March of 2021) for one sampled grouped line item. In both assessments, the case manager documented that the child's safety level was "Immediate Intervention Not Recommended" and that the risk level was "No Need/Risk."

- Thirty sampled grouped line items involved enrollees who were served by DIDD case managers and who had received early intervention case management services under the TEIS. For these sampled grouped line items, the eligibility screening documentation that the State agency gave us consisted of a determination for early intervention services and

case notes that documented early intervention case management. The State agency did not perform an assessment or make a determination that these enrollees were at serious or imminent risk of entering State custody, as required by the State plan for the target group under which the claims were submitted.

For example, the eligibility documentation for one sampled grouped line item included the following note: "Based on a review of medical records and developmental assessment, [enrollee] meets eligibility criteria for TEIS services based on a 25% delay in the motor and communication domain." This early intervention screening used by the case worker did not refer to any risk of this enrollee entering State custody.

STATE AGENCY DID NOT FOLLOW PROCEDURES TO IDENTIFY ENROLLEES WHO MET TARGET GROUP ELIGIBILITY REQUIREMENTS

Although the State agency generally had policies and procedures in place for the administration of TCM services in Tennessee, it did not follow these procedures to identify the enrollees who met the eligibility criteria for the "Children in State Custody or at Risk of State Custody" target group in accordance with the State plan. Although the case managers completed the required assessments to determine safety and risk levels, DCS staff did not use the results of those completed assessments to identify which of the enrollees were eligible for the target group before the State agency submitted claims for Federal Medicaid reimbursement.

With respect to our second finding, the State agency did not, in some cases, perform an assessment to determine whether enrollees who received early intervention case management services under the TEIS were at serious or imminent risk of entering State custody. However, the State agency incorrectly claimed Federal Medicaid reimbursement for these services as if they were provided under the "Children in State Custody or at Risk of State Custody" target group. This occurred because the State agency did not follow its procedures to verify that enrollees who received early intervention case management services under the TEIS met the eligibility criteria for a designated TCM target group before claims were submitted.

Based on our sample results, we estimated that the State agency claimed at least $80,432,675 ($59,300,776 Federal share) in unallowable Medicaid reimbursement for TCM services during our audit period (footnote 5).

RECOMMENDATIONS

- We recommend that the State agency refund to the Federal Government $59,300,776 (Federal share) in overpayments.

- We recommend that the State agency revise its procedures to include a step to verify that enrollees meet the eligibility criteria for an approved target group before it submits claims for Federal Medicaid reimbursement as TCM claims.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency did not concur with either of our recommendations. Specifically, for our first recommendation, the State agency disagreed with our findings for all 43 of the TCM sampled grouped line items that our draft report had identified as errors and did not concur with the associated recommended refund. For our second recommendation, the State agency disagreed that any additional verification step was necessary.

The State agency also provided as reference material the State's Title IV-E Prevention Plan (Tennessee's foster care program) as well as the State's FAST guidance document, which we reviewed as appropriate.[6] The State agency's comments appear as Appendix G.

A summary of the State agency's comments and our responses follows. After reviewing the State agency's comments, we maintain that our findings and recommendations remain valid.

RECOMMENDED REFUND OF ESTIMATED OVERPAYMENTS

The State agency did not concur with our first recommendation and stated that our methodology for determining unallowable claims was "flawed as it fails to (1) capture the correct process for most cases for determining the target group, which is the hotline intake analysis, and (2) recognize the significant scope of tools and documentation for determining that case management may be necessary within the child welfare system in Tennessee." Specifically, the State agency disagreed with our findings based on the following points: (1) our reliance on the FAST assessment; (2) the State agency's position that the eligibility assessment figure did not accurately reflect the hotline intake process; (3) the State agency's position that initial triage and assessment activities are billable TCM services, (4) the allowability of the claims involving court-involved cases that we identified as errors, and (5) the allowability of the TEIS-related claims that we identified as errors. We summarize the State agency's specific points of disagreement, and offer our responses to those points, below.

Reliance on the Family Advocacy and Support Tool Assessment for Department of Children's Services Claims

State Agency Comments

The State agency said that our reliance on the FAST as a risk-of-custody assessment was "misplaced" and stated that the FAST is a needs assessment completed during active case management and is not intended to serve as a tool to determine risk of custody. The State agency added that other means—such as hotline intake analysis using the Structured Decision

[6] Title IV-E of the Act established the Federal Foster Care Program, which helps States to provide safe and stable out-of-home care for children in foster care placements.

Making (SDM) tool, court involvement, or other departmental tools—should establish eligibility for TCM services.

In this context, the State agency said that the FAST "is not, and has never been, a risk of custody assessment, and should not be relied on by OIG to determine whether a case met the target group under the [S]tate plan." The State agency also said that "children are already considered at risk when the [FAST] assessment is performed" and added that the FAST is "completed throughout an open case and even includes a closing FAST at the conclusion of the case."

The State agency stated that of the 13 sampled grouped line items that involved DCS case managers in our findings, 10 originated through its hotline and were referred to case managers who made initial determinations for risk of custody using the SDM tool, which prioritized cases into 3 response timeframes.[7] The State agency also said that a low priority rating does not indicate that a child is not at risk of State custody; rather, the priority level determines only the timeframe within which the case manager must initiate the investigation. The State agency added that the rating of a child's safety needs, and eligibility for the target group to bill Medicaid, are "entirely separate determinations."

Office of Inspector General Response

We acknowledge the State agency's explanation of the tools, processes, and priority ratings used in Tennessee to assess children and families. We note, though, that we did not solely rely on the FAST assessments when reviewing the sampled grouped line items. We reviewed case notes, hotline intake materials, initial assessments, Child and Family Team Meeting (CFTM) documentation, and court records where applicable.

Federal and State requirements for TCM eligibility specify that services must be provided to children who are at serious or imminent risk of entering State custody. The FAST assessments that the State agency gave us were completed by the onsite case managers at the time of service. During our audit, program officials explained that FAST ratings reflect the caseworker's assessment of safety concerns such as visible signs of abuse, neglect, or other immediate risks to the child. These officials stated that a "moderate" FAST rating indicates a serious risk of custody and that a "high" rating indicates imminent risk, while "low" or "no" risk means that the child is not considered at risk of entering State custody. The case notes we reviewed also aligned with the FAST assessments completed by the case manager and supported the risk conclusions reflected in those assessments.

Although the State agency's comments said that the FAST is not a risk-of-custody tool, the *Tennessee Title IV-E Prevention Plan* explains that the FAST includes guidance for determining (based on both a safety assessment component and a risk and service need assessment) when a child may be considered at risk of entering State custody:

[7] We discuss the State agency's comments on the other three sampled grouped line items, which dealt with cases in which courts were involved, later in this report.

> When the safety assessment component of the FAST recommends immediate intervention, the child is at imminent risk of entering foster care, determined to be a candidate for foster care, and eligible for Family First prevention services . . . . When the FAST overall service rating is for high service intensity, the child is at imminent risk of entering foster care, determined to be a candidate for foster care, and eligible for Family First prevention services.

Furthermore, we reviewed documentation provided by the State agency that indicated that FAST scoring played a role in the State agency's operational decision making regarding whether continued case management services were warranted. For example, one case note stated: "The FAST and safety was scored as no immediate needs risk and no additional services needed. There are no present safety issues or concerns. The [case manager] plan[s] to submit the case for review for closure." This and similar case notes support that case managers used FAST results as part of their determinations of whether the children remained at serious or imminent risk of entering State custody—a determination that directly relates to the eligibility requirements for continued TCM services.

As required by the CMS-approved SPA, eligibility for this target group is limited to children who are either already in State custody or who have been determined to be at *serious* or *imminent* risk of entering custody. Under the State plan, "imminent risk" refers to situations in which a child is likely to enter custody without intervention—such as when there are credible concerns of abuse, neglect, or other conditions suggesting that custody may occur soon—and "serious risk" applies to children whom DCS identifies as highly likely to come into custody. These standards establish the threshold that must be met for a child to qualify for the target group. Accordingly, we maintain that our finding—that 13 sampled grouped line items involved enrollees who were served by DCS case managers but who were not at serious or imminent risk of entering State custody—remains valid.

Eligibility Assessment Figure Does Not Accurately Reflect the Hotline Intake Process

State Agency Comments

The State agency referred to the "Eligibility Assessment" Figure presented earlier in this report (in "Tennessee Determination of Eligibility and Claims Processing") and stated that the Figure "does not accurately reflect the process map for hotline cases provided by DCS." During this process, according to the State agency, "the hotline intake determines whether the case is referred to a case manager based on the SDM assessment. At that point, [Medicaid] billing for the case is appropriate as eligibility has already been determined."

Office of Inspector General Response

During our audit, the State agency gave us a process map with which, it said, it determined an enrollee's TCM eligibility; we used that map to develop our draft report's version of the Figure in question. Although that version of the Figure was based on the process map that the State

agency had given us, it had conveyed an earlier beginning point in the hotline intake process and had combined certain steps into one box to present a concise, high-level summary of the workflow. We have revised that Figure for this final report to further break out and clarify the process steps as detailed by the State agency.

Beyond that, though, we note that although a hotline referral initiates agency involvement, this step alone does not establish ongoing eligibility for the "at Risk of State custody" target group. The State agency's assessment tools—including the FAST and CANS—are designed to provide a broader, case-specific evaluation of each child's safety and risk over time. Under the SPA, continued eligibility for this target group requires evidence that the child meets the definitions of serious or imminent risk; a hotline referral does not automatically satisfy those eligibility standards.[8]

Initial Triage and Assessment of Hotline Cases Are Billable Targeted Case Management Services

State Agency Comments

The State agency said that our findings did not properly account for the fact that, under the State plan, initial triage and assessment activities—including intake analysis and the opening of a case—are "explicitly billable" TCM services. According to the State agency, the process of determining risk and eligibility at the point of intake, as well as the initial assessment and related activities, are allowable for Medicaid reimbursement, regardless of whether the case ultimately proceeds to further case management or is closed after assessment.

The State agency also stated that the "premise" for our findings "mistakenly assumes that eligibility for the target group had to be determined by the needs assessment prior to billing Medicaid; however, that is explicitly not supported by the [S]tate plan. Under the definition of targeted case management . . . all these steps are included within the very definition of case management, including 'initial triage to determine potential risk,' 'collection of assessment data,' and 'completion of assessment protocol.'" In this context, the State agency described what it referred to as a "fatal flaw" in our reliance on the FAST assessment which, according to the State agency, "cannot be both a billable case management service and the arbiter for determining eligibility for the target group. It defies logic."

[8] Because enrollees who have been referred for services are presumed eligible for those services while the initial assessment is being performed, units of service billed for these initial assessments are allowable. Accordingly, we do not recommend a disallowance for any of these initial assessments. However, and as discussed further in our response to the State agency's comments in the next section of this report, subsequent assessments are allowable for Federal reimbursement only in cases when the enrollees in question have been assessed as continuing to meet the criteria for inclusion in the "at Risk of State custody" target group.

Office of Inspector General Response

We agree that allowable TCM services under the State plan include an initial assessment and related intake activities. In fact, during our review of the sampled group line items we did not question any billing for TCM services that were rendered in the same month in which the initial assessment was conducted. We recognize the importance of initial triage and assessment as billable services and we accordingly ensured that we do not include claims for these activities in our recommended disallowance.

We add, though, that although the *initial* triage and assessment activities are allowable under the State plan, *subsequently* billed TCM case management services are contingent on the child continuing to meet the eligibility criteria for the "at Risk of State custody" target group. A determination of ongoing eligibility must therefore be supported by the most recent assessment of the child's safety and risk. Accordingly, only children whose *current* assessments show that they meet the State plan's definitions of serious or imminent risk of State custody remain eligible for continued case management under this target group. With these considerations in mind, we therefore disagree with the State agency's characterization of a "fatal flaw" in our audit, our methodology, and our understanding of the relationship between the State plan, Federal requirements, and the State agency's adherence to its procedures.

Court-Involved Cases

State Agency Comments

With respect to the three sampled grouped line items that involved court-involved cases, the State agency said that the target group criteria were met through other established avenues, particularly court involvement and the use of other assessment tools. The State agency provided details on each of these three sampled grouped line items and stated that, for example, a high-risk rating on the CANS assessment or a determination by a Child and Family Team Meeting that a child was a candidate for Title IV-E services (footnote 6) would demonstrate that the child was at serious or imminent risk of entering State custody.

Office of Inspector General Response

During our audit, we carefully reviewed all of the documentation that the State agency gave us for these grouped line items, including court records and any alternative assessments or determinations that the State agency brought to our attention. This review included case notes, CFTM notes, and all case manager assessments that the State agency gave us, including the most recent FAST or CANS assessment associated with the service month in question. None of the documentation that the State agency gave us for these three sampled grouped line items identified a serious or imminent risk of the child entering State custody as required by the State plan.

Although we agree that circumstances of court involvement are important factors, the documentation that the State agency gave us did not support that the enrollees in question met the target group eligibility as defined in the State plan. For example, for one sampled grouped line item, the most recent CANS assessment provided to us—which had been completed in the month prior to the service month in our sample—showed a low risk, rather than the high risk as asserted in the State agency's response. Additionally, the assessment narrative stated: "[Recipient] has a positive and supportive family and extended family. They encourage him and support him." Furthermore, the CFTM notes for this enrollee, written by the case manager, stated: "It was determined that [Recipient's] supervision level would be low."

Although the State agency's response states that the CANS assessment for this enrollee reflected a high-risk rating, the assessment documentation provided to us during the audit—and which had been completed just prior to the service month in our sample—supported a low-risk rating.

Tennessee Early Intervention System-Related Claims

State Agency Comments

With respect to the 30 sampled grouped line items that involved enrollees who were served by DIDD case managers and who had received early intervention case management services under the TEIS, the State agency said that we had relied on "the same incorrect audit standard here that no FAST assessment was performed that indicated a risk of custody and again [read] requirements into the definition of the target group that do not exist." According to the State agency, enrollees who received services under the TEIS were not evaluated using FAST assessments or similar tools because they were not subject to the same assessment pathway as DCS-involved children.

The State agency said that instead, DCS had made a categorical determination applicable to all TEIS-served children "for the duration of the audit period." The State agency added that "nothing in the definition [of the target group] prohibits or otherwise restricts DCS from making a categorical determination regarding serious risk of [S]tate custody, which is what occurred for these claims." Referring to its relationship with DCS, the State agency also stated: "The interagency agreement in place during the audit period clearly stated that children at risk will include those in Tennessee's Early Intervention Program."

In addition, the State agency said that children who received services under the TEIS—young children with developmental delays or disabilities—are statistically more vulnerable and therefore reasonably considered at risk of State custody. According to the State agency, the literature and data on the child welfare system "overwhelmingly" demonstrate "that this is the most likely age group to both become involved with and enter the child welfare system."

The State agency said that for these and other reasons, "the TEIS claims were both allowable under the [S]tate plan and reasonable," and referred to the SPA that it submitted (and which

was approved in 2025) that added TEIS as a target group. In this context, the State agency added that CMS's approval of the TEIS benefit further supports the State agency's position that the TEIS claims are allowable. "There is no debate that this service is an allowable Medicaid service, nor is there any debate that the TEIS claims within audit period are allowable Medicaid claims."

Office of Inspector General Response

The relevant provision of the SPA requires that Medicaid-eligible children be determined to be "at imminent/serious risk of entering or returning to State custody" (Tennessee State Plan, Supplement 1 to Attachment 3.1-A). The State agency did not provide us with any documentation for the TEIS-related sampled grouped line items that demonstrated that these children's situations met this standard. As our report states, DIDD case managers screened TEIS children for early-intervention eligibility, not for risk of entering State custody.

The TEIS eligibility screenings that the State agency gave us and that we reviewed focused solely on developmental evaluations—such as assessments of vision, hearing, mobility, communication, social interaction, and other developmental areas—and did not include safety-related determinations or assessments of risk of removal from the home. For example, for one sampled grouped line item, the eligibility evaluation included information on developmental test areas, and the TEIS eligibility note stated: "[Recipient] is eligible based upon a 40% delay in communication domain of the BDI-2 evaluation with a 25% delay in the Self-Help and Social areas as well."[9] Neither the test areas documented in the TEIS eligibility screening, nor the TEIS eligibility note that the State agency gave us, supported that the child was at risk of being removed from the home or placed in State custody. Because risk of State custody is a required element of the approved target group, TEIS enrollees did not meet the eligibility criteria for the target group for which these claims were billed.

In addition**,** the interagency agreement referenced by the State agency does not contain any provision establishing a "categorical determination" of imminent or serious risk for all TEIS-served children, nor does it expand or modify the eligibility standards required under the SPA. The SPA states that for a child to be eligible for TCM services, he or she must be determined, based on the criteria and processes described in the amendment, to be at serious or imminent risk of entering State custody. The documentation that the State agency gave us for the 30 TEIS-related sampled group line items—including early-intervention screening tools—did not support that these children had been assessed and found to be at serious or imminent risk of entering State custody.

Furthermore, although TEIS children may exhibit characteristics associated with increased needs, the relevant provisions of the SPA require that a child is specifically at serious or

[9] The "BDI-2" acronym refers to the Battelle Developmental Inventory, Second Edition, which is a standardized, comprehensive assessment tool used to measure a young child's developmental progress, identify delays, and determine eligibility for State-funded early intervention or therapeutic Medicaid services.

imminent risk of entering State custody. The presence of developmental delays or disabilities in a child does not in and of itself confer eligibility upon that child under this criterion. The State agency did not provide us with any documentation for the TEIS-related sampled grouped line items to demonstrate that these children had been assessed and found to be at serious or imminent risk of entering State custody.

Lastly, we acknowledge that, as our report says and as the State agency noted in its written comments, a recent SPA added TEIS as an approved target group. However, CMS did not approve that amendment until 2025, so its provisions were not in effect during our audit period. Because children who received services under the TEIS were not part of an approved Medicaid target group during the period that we reviewed, claims billed for these enrollees were not allowable under the State plan and its amendments that were in effect at that time. As part of the resolution process for this audit, a CMS official will make final determination on the audit recommendations in this report.

RECOMMENDED REVISION OF PROCEDURES TO VERIFY ENROLLEE ELIGIBILITY

State Agency Comments

The State agency did not concur with our second recommendation and said that no additional verification step was necessary because, in its view, the existing processes already ensured that children met the eligibility criteria for the target group. For DCS-related claims, the State agency also stated that hotline SDM determinations, court-involved pathways, and other departmental tools collectively establish risk of custody and that these mechanisms already function as sufficient eligibility determinations under the State plan. Additionally, the State agency said that initial triage and intake activities—performed at the time a case is opened—are "explicitly billable" under the State plan and added that these activities establish that a child has been identified as at risk of custody.

For TEIS-related claims, the State agency said that its categorical determination—as reflected in the interagency agreement—met the State plan requirements and that therefore no further verification was necessary.

Accordingly, the State agency concluded that its current procedures fully satisfy the standards for identifying children at serious or imminent risk of custody and that revising them would be unnecessary.

Office of Inspector General Response

We acknowledge that initial triage and intake activities are allowable TCM services under the State plan, and we do not recommend a disallowance of any claims associated with those activities. However, initial triage alone does not establish continued eligibility for the "at Risk of State custody" target group. Under the SPA, eligibility must be supported by assessments demonstrating that the enrollee is at serious or imminent risk of entering State custody, and the

documentation that the State agency gave us for the sampled grouped line items we reviewed did not support that these criteria were met. Additionally, the interagency agreement referenced by the State agency does not contain any provision establishing a "categorical determination" of imminent or serious risk for all TEIS-served children.

Therefore, we maintain that the State agency should revise its procedures, to include a step to verify that enrollees meet the eligibility criteria for an approved target group before it submits claims for Federal Medicaid reimbursement as TCM claims.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered TCM services that the State agency rendered and paid for during our audit period (footnote 3). During this period, the State agency claimed $503,468,529 ($370,463,495 Federal share) in Medicaid reimbursement for TCM services.

We reviewed a stratified random sample of 150 grouped line items from a sampling frame of 682,914 unique TCM grouped line items (footnote 4). These grouped line items represented services provided to individual enrollees by a specific provider during a specific month and year. For each sampled grouped line item, we obtained and reviewed case notes and other documentation for each TCM service rendered, as well as case manager qualification and enrollee eligibility documents, to determine whether the TCM services rendered and paid for complied with applicable Federal and State requirements.

We assessed internal controls necessary to satisfy the audit objective but did not assess the overall internal control structure of the State agency. Rather, we limited our review to gaining an understanding of the State agency's policies and procedures related to TCM services and to evaluating the effectiveness of those policies and procedures in ensuring compliance with Federal and State requirements.

We conducted our audit from January 2024 through March 2026.

METHODOLOGY

We took the following steps to accomplish our objective:

- Reviewed applicable Federal and State laws, regulations, and guidance related to Medicaid TCM services, including the Tennessee State plan and its SPAs
- Held discussions with State agency officials to gain an understanding of the TCM program and its administration
- Obtained from the State agency a list of all TCM claims paid during our audit period
- Created a sampling frame of 682,914 grouped line items totaling $503,468,529 ($370,463,495 Federal share) in Medicaid reimbursement for TCM services (footnote 4)
- Identified which grouped line items were associated with services rendered by DCS case managers and which were associated with services rendered by DIDD case managers, so that we could stratify the sample and ensure that we reviewed claims from each type of case manager

- Selected a stratified random sample of 150 grouped line items

- Obtained and reviewed supporting documentation from the State agency for each sampled grouped line item, including case notes, case manager qualification documents, and enrollee eligibility documents

- Determined whether the TCM services were allowable in accordance with Federal and State requirements

- Calculated the unallowable amounts for the sampled items and used statistical methods to estimate the total unallowable amount for the audit period (footnotes 3 and 5)

- Discussed our findings with State agency officials

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 objectives.

APPENDIX B: PREVIOUSLY ISSUED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
Alabama Claimed Federal Medicaid Reimbursement for Millions of Dollars in Targeted Case Management Services That Did Not Comply With Federal and State Requirements	A-07-22-03253	4/1/2024
Montana Claimed Federal Medicaid Reimbursement for More Than $5 Million in Targeted Case Management Services That Did Not Comply With Federal and State Requirements.	A-07-21-03246	8/26/2022
Nebraska Claimed Almost All Medicaid Payments for Targeted Case Management Services in Accordance With Federal Requirements but Claimed Some Unallowable Duplicate Payments	A-07-19-03239	12/1/2020

APPENDIX C: STATISTICAL SAMPLING METHODOLOGY

SAMPLING FRAME

The sampling frame consisted of 682,914 grouped line items of TCM enrollee services (footnote 4) that were rendered and paid for during our audit period. The grouped line items in the sampling frame received reimbursement totaling $503,468,529 ($370,463,495 Federal share) during our audit period.

SAMPLE UNIT

The sample unit was one TCM grouped line item.

SAMPLE DESIGN AND SAMPLE SIZE

Our sample design was a stratified random sample containing three strata, as shown in Table 1.

Table 1: Division of Strata for Sample Design

Stratum	Stratum Description	Dollar Range	Frame Size	Value of Frame (Total)	Value of Frame (Federal Share)	Sample Size
1	DCS Providers Lower Claim Amount	$16.57–$1,089.90	339,502	$178,121,888	$133,145,519	60
2	DCS Providers Higher Claim Amount	$1,089.91–$2,359.84	220,578	259,172,667	188,664,421	60
3	All DIDD Providers	$16.57–$620.93	122,834	66,173,973	48,653,555	30
		Totals	**682,914**	**$503,468,529***	**$370,463,495**	**150**

* Dollar amounts in this column do not add exactly to the total because of rounding.

SOURCE OF RANDOM NUMBERS

We generated the random numbers using the OIG, Office of Audit Services (OAS), statistical software.

METHOD FOR SELECTING SAMPLED GROUPED LINE ITEMS

We sorted the items in each stratum by Medicaid identification number, provider, month and year of service, and amount paid. We then consecutively numbered the items in each stratum

in the sampling frame. After generating random numbers for each of these strata, we selected the corresponding frame items for review.

ESTIMATION METHODOLOGY

We used the OIG, OAS, statistical software to estimate the total dollar value of the State agency's unallowable payments for TCM services in our sampling frame at the lower limit of the two-sided 90-percent confidence interval (Appendix D). Lower limits calculated in this manner are designed to be less than the actual overpayment total 95 percent of the time.

APPENDIX D: SAMPLE RESULTS AND ESTIMATES

Table 2: Sample Results (Total)

Stratum	Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Unallowable Sampled Grouped Line Items	Value of Unallowable Sampled Grouped Line Items
1	339,502	$178,121,888	60	$31,027	13	$4,589
2	220,578	259,172,667	60	71,064	0	0
3	122,834	66,173,973	30	16,365	30	16,365
Totals	**682,914**	**$503,468,529***	**150**	**$118,456**	**43**	**$20,954**

* Dollar amounts in this column do not add exactly to the total because of rounding.

Table 3: Sample Results (Federal Share)

Stratum	Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Unallowable Sampled Grouped Line Items	Value of Unallowable Sampled Grouped Line Items
1	339,502	$133,145,519	60	$23,090	13	$3,452
2	220,578	188,664,421	60	51,629	0	0
3	122,834	48,653,555	30	11,991	30	11,991
Totals	**682,914**	**$370,463,495**	**150**	**$86,710**	**43**	**$15,443**

Table 4: Estimated Value of Unallowable Payments in the Sampling Frame
(Limits Calculated at the 90-Percent Confidence Level)

	Total	Federal Share
Point estimate	$92,968,730	$68,627,948
Lower limit	80,432,675	59,300,776
Upper limit	105,504,785	77,955,119

APPENDIX E: FEDERAL AND STATE REQUIREMENTS FOR TARGETED CASE MANAGEMENT

FEDERAL REQUIREMENTS

A State plan is required to "provide for agreements with every person or institution providing services under the State plan under which such person or institution agrees (A) to keep such records as are necessary to fully disclose the extent of the services provided to individuals receiving assistance under the State plan, and (B) to furnish the State agency or the Secretary [of Health and Human Services] with such information . . . as the State agency or the Secretary may from time to time request" (the Act § 1902(a)(27)).

If the State agency claims amounts in excess of allowable amounts (overpayments) on a CMS-64 report, it generally must refund the Federal share. Overpayments include duplicate payments (the Act § 1903(d)(2)).

Federal regulations (42 CFR §§ 440.169(a) and (b)) define TCM services as services furnished to assist individuals, eligible under the State plan, who reside in a community setting or are transitioning to a community setting, in gaining access to needed medical, social, educational, and other services.

Federal regulations (42 CFR § 440.169(d)) state that the assistance that TCM case managers provide in assisting eligible individuals to obtain services may include:

(1) Comprehensive assessment and periodic reassessment of individual needs, to determine the need for any medical, educational, social, or other services . . . .

(2) Development (and periodic revision) of a specific care plan based on the information collected through the assessment . . . .

(3) Referral and related activities (such as scheduling appointments for the individual) to help the eligible individual obtain needed services, including activities that help link the individual with medical, social, and educational providers or other programs and services that are capable of providing needed services to address identified needs and achieve goals specified in the care plan.

(4) Monitoring and follow-up activities, including activities and contacts that are necessary to ensure that the care plan is effectively implemented and adequately addresses the needs of the eligible individual and which may be with the individual, family members, service providers, or other entities or individuals and conducted as frequently as necessary, and including at least one annual monitoring . . . .

Federal regulations require TCM providers to maintain case records that document, for all individuals receiving TCM services, "[t]he nature, content, units of the [TCM] services received and whether goals specified in the care plan have been achieved" (42 CFR § 441.18(a)(7)(iv)).

Federal regulations require the SPAs for each target group to specify "provider qualifications that are reasonably related to the population being served and the case management services furnished" (42 CFR § 441.18(a)(8)(v)).

Federal regulations also state that TCM services do not include the direct delivery of the underlying medical, educational, social, or other services to which the Medicaid-eligible individual has been referred, including services such as providing transportation (42 CFR § 441.18(c)).

The CMS *State Medicaid Manual* states that FFP is not available for the specific services needed by an individual as identified through case management activities unless those services are separately reimbursable under Medicaid. Also, FFP is not available for the cost of the administration of the services or programs to which enrollees are referred (CMS *State Medicaid Manual* § 4302.2(G)(1)).

The CMS *State Medicaid Manual* states that Federal Medicaid reimbursement is "available only for allowable actual expenditures made on behalf of eligible [enrollees] for covered services rendered by certified providers. Expenditures are allowable only to the extent that, when a claim is filed, [the State has] adequate supporting documentation in readily reviewable form to assure that all applicable Federal requirements have been met" (CMS *State Medicaid Manual* § 2497.1).

STATE REQUIREMENTS

The SPA's definition of TCM services closely mirrors the definition of TCM services set forth in 42 CFR § 440.169. The SPA language defines TCM as services that assist eligible individuals in gaining access to needed medical, social, educational, residential, and other services.

The SPA for the "Children in State Custody or at Risk of State Custody" target group requires that case managers and team leaders possess a bachelor's degree, licensure, or relevant experience in areas of social work and related areas. Additionally, case managers must receive extensive initial case management training, as well as ongoing training provided by DCS (Tennessee State Plan, Supplement 1 to Attachment 3.1-A).

The State plan defines eligibility for this target group as children who are in or entering State custody, or who are at serious or imminent risk of entering or returning to State custody. The plan further defines "imminent risk" as "a status which, absent of intervention, will likely result in a child being placed in or returned to [S]tate custody," and defines "serious risk" as "[c]hildren identified by the Department of Children's Services (DCS) as children who are highly likely to come into custody" (Tennessee State Plan, Supplement 1 to Attachment 3.1-A).

APPENDIX F: SUMMARY OF ERRORS FOR EACH SAMPLED GROUPED LINE ITEM

Table 5: Errors Identified for Each Sampled Grouped Line Item

Sample Number	Enrollee Not at Serious or Imminent Risk of State Custody	Ineligible Early Intervention Services
1		
2		
3	X	
4	X	
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15	X	
16		
17		
18		
19		
20		
21	X	
22	X	
23		
24		
25		
26		
27		
28		
29		
30		
31	X	
32	X	
33		
34		
35		

Sample Number	Enrollee Not at Serious or Imminent Risk of State Custody	Ineligible Early Intervention Services
36	X	
37		
38		
39		
40		
41		
42		
43		
44	X	
45		
46	X	
47	X	
48	X	
49		
50		
51		
52		
53		
54	X	
55		
56		
57		
58		
59		
60		
61		
62		
63		
64		
65		
66		
67		
68		
69		
70		
71		
72		
73		
74		

Sample Number	Enrollee Not at Serious or Imminent Risk of State Custody	Ineligible Early Intervention Services
75		
76		
77		
78		
79		
80		
81		
82		
83		
84		
85		
86		
87		
88		
89		
90		
91		
92		
93		
94		
95		
96		
97		
98		
99		
100		
101		
102		
103		
104		
105		
106		
107		
108		
109		
110		
111		
112		
113		

Sample Number	Enrollee Not at Serious or Imminent Risk of State Custody	Ineligible Early Intervention Services
114		
115		
116		
117		
118		
119		
120		
121		X
122		X
123		X
124		X
125		X
126		X
127		X
128		X
129		X
130		X
131		X
132		X
133		X
134		X
135		X
136		X
137		X
138		X
139		X
140		X
141		X
142		X
143		X
144		X
145		X
146		X
147		X
148		X
149		X
150		X
Totals	**13**	**30**

Division of TennCare

May 1, 2026

James Korn
Regional Inspector General for Audit Services,
Office of Audit Services, Region VII
Department of Health and Human Services Office of Inspector General
1201 Walnut Street, Suite 1309
Kansas City, MO 64106

Delivered Via Email

Dear Mr. Korn:

The State of Tennessee's Medicaid program, TennCare, does not concur with the federal Department of Health and Human Services Office of Inspector General (OIG) audit recommendations related to its audit of the State's targeted case management services. By relying on a single needs assessment tool used by the Tennessee Department of Children's Services (DCS) to assess children already in an open case, OIG not only (1) misunderstands the procedures utilized to identify children at risk of state custody but also (2) misapplies requirements in the TennCare state plan. In fact, both sets of claims covered by these findings – the thirteen handled by DCS as well as the thirty claims related to Tennessee Early Intervention Services (TEIS) – are allowable claims and should be treated as such under the authority against which the state is being audited.

OIG Recommendation #1:

Tennessee should refund $59,300,776 in overpayments to the Federal Government for unallowable targeted case management claims.

State Response:

The State does not concur with this recommendation for both the DCS and TEIS Claims.

DCS Claims

With respect to the DCS claims, OIG mistakenly rests its findings primarily on the ratings of assessments performed via Tennessee's Family Advocacy and Support Tool (FAST). This audit methodology is flawed as it fails to (1) capture the correct process for most cases for determining the target group, which is the hotline intake analysis, and (2) recognize the significant scope of tools and documentation for determining that case management may be necessary within the child welfare system in Tennessee. In the majority of cases, the intake analysis, performed using the nationally adopted Structured Decision Making (SDM) Tool, supported referral to the case manager and the opening of a billable case. For the three cases that did not originate from the hotline but rather court involvement, each case contains obvious support for meeting the target group. Most importantly, the OIG methodology ignores the requirements of the state plan, which clearly states the services performed under these cases were billable.

Fundamentally, it should be emphasized at the outset that the FAST is a needs assessment completed during active case management; it is NOT a risk of custody tool. The FAST assesses need at the specific point in time at which it is completed and is a tool employed by case managers as part of case management. In fact, the State's FAST protocol document uses the word "custody" exactly zero times (see attachment). Instead, the document is designed to "address the needs of the families who are at risk of child welfare involvement."[1] Thus, children are already considered at risk when the assessment is performed. In addition, as the protocol lays out, the FAST is completed throughout an open case and even includes a closing FAST at the conclusion of the case. The FAST is not, and has never been, a risk of custody assessment, and should not be relied on by OIG to determine whether a case met the target group under the state plan. To illustrate this point, we highlight the example provided for on page seven of the draft report, which is sample case #3. There, OIG relies on a closing FAST to support a finding that sample case #3 did not meet the target group even though (1) a closing FAST should reflect low intervention or need since the case manager is closing the case and (2) it's clearly performed at the end of the case. Not only should this document reflect no immediate needs, but it also emphasizes the point that the FAST is a needs assessment, not a risk of custody determination.

Instead, OIG should have either relied on the initial intake documentation to determine target group eligibility, or, in court-involved cases, other tools employed by departmental policies that establish risk of custody. Below, the State responds to the individual DCS cases at issue by breaking them out into two categories: those that originated through the hotline and those that originated through court involvement.

Hotline Cases (Sample cases #3, #4, #15, #21, #22, #32, #36, #46, #47, #54)

Of the thirteen DCS cases cited in the findings, ten originated through the hotline and were referred to a case manager who then performed an initial FAST assessment as part of their case management tasks. It is at the hotline stage that the initial determination for risk of custody and referral is made using an industry standard tool: Structured Decision Making (SDM). The SDM tool is utilized nationally, and in Tennessee is built into the DCS hotline system to ensure consistency and accuracy. During the audit period, the tool prioritized cases that required referral into three response timeframes: immediate response (Priority 1 or P1), high priority response (Priority 2 or P2), and low priority response (priority 3 or P3). It is critical to understand that once a priority group has been assigned, the risk of custody has been determined, and the case is referred to a case manager. Again, it is only after this point that a FAST is then completed by the case manager as part of the case management process.

Critically, a low priority rating does not mean the child is not at risk of custody; it simply means that case does not need immediate intervention relative to other cases.[2] The priority response groups only dictate the *timeframe* of investigation and assessment by the DCS case manager. Cases assigned a P3 rating are still cases where the SDM tool identified a sufficient risk for a referral to a case manager. For the ten cases in which the SDM applied, six had a rating of P3 (sample cases #4, #21, #22, #36, #46, and #47) and four had a rating of P1 (same cases #3, # 15, #32, and #54). This means

[1] See TN FAST 2.1 Protocol, December 2023 (See attached)

[2] DCS eliminated the Priority Group 3 in the Fall of 2025. However, it is important to note this was done to increase response times for all referrals by grouping them into only P1 or P2 and not because the cases should not be opened.

that in each case there was a determined risk of custody; however, the response times varied between immediate, in the case of P1, and a week or longer in the case of P3.

The hotline cases demonstrate exactly why the FAST is not intended to be a risk of custody assessment and OIG's reliance on it is misplaced. FASTs can occur throughout a given case, including as already mentioned at the closing of a case. Items are rated by the assigned case manager based on applying their experience and expertise to the case at hand based on the information available at that time. For example, a case manager may rate the safety items as lower or no need if the child is safe with a relative, albeit temporarily, or another caregiver even though the primary custodian is incarcerated or in residential treatment. In that case, the immediate safety needs of the child may be rated low, but the overall risk of custody given the circumstances of the custodial parent is much higher. Sample case #3 is a great example of this scenario. The safety item within the initial FAST was rated low due to the child residing with the grandmother even though the custodial mother was in a mental health facility. Here, the immediate need is low, but the overall risk of custody is high due to the custodian's facility placement. OIG should not conflate immediate needs, or needs at a specific point in time, with eligibility for the target group to bill Medicaid. They are entirely separate determinations.

The State also notes with respect to these cases that the eligibility process map outlined by OIG on page four of the draft report does not accurately reflect the process map for hotlines cases provided by DCS. As explained above, the hotline intake determines whether the case is referred to a case manager based on the SDM assessment. At that point, billing for the case is appropriate as eligibility has already been determined. Per the process, the case manager then investigates the case, which includes utilization of the FAST, to determine need and next steps. The case manager then determines whether to (1) bring the child into custody, (2) provide intervention services necessary to prevent custody, or (3) recommend/initiate services if appropriate and close the case. The OIG outline instead placed the FAST squarely in the process flow as the determining assessment for risk of custody. This is not accurate nor does it reflect the documentation provided.

Critically, regardless of the outcome, these initial steps in the process are explicitly billable case management services under the "Definition of Services" in the state plan in Attachment 3.1-A, Section D. OIG's premise for these findings mistakenly assumes that eligibility for the target group had to be determined by the needs assessment prior to billing Medicaid; however, that is explicitly not supported by the state plan. Under the definition of targeted case management in Section D, all these steps are included within the very definition of case management, including "initial triage to determine potential risk," "collection of assessment data," and "completion of [a]ssessment [p]rotocol." Again, the hotline cases are clear examples where initial triage occurred and the SDM tool recommended referral. At that point, the case is open and the target group has been met. From the referral, the case manager opened an investigation and completed the FAST assessment. In cases where immediate intervention was not required, the case manager recommended services and closed the case often within a couple months. That process is entirely supported by the state plan, which defines those steps as billable case management services. Thus, in clear terms, the state plan supports the billing for these cases.

Finally, the state plan definition effectively establishes a fatal flaw in OIG's reliance on the FAST assessment. The FAST assessment cannot be both a billable case management service and the arbiter for determining eligibility for the target group. It defies logic. The SDM is instead the correct

threshold in these cases because that intake tool sets in motion the referral to the case manager to open the case, begin services including the FAST assessment, and bill for Medicaid recipients.

Court-Involved Cases (Sample cases #31, #44, and #48)

For the three remaining cases in the sample, each demonstrates that the target group was met through other established avenues, particularly where there is court involvement.

For sample case #31, the child was on probation and had a Child and Adolescent Needs and Strengths (CANS) assessment that resulted in the highest-level rating of "3," which indicates immediate, intensive action is needed. Given the child was on probation AND had a high-risk CANS assessment rating, there is zero debate the child was at risk of custody. Notably, OIG acknowledged the use of the CANS as a separate tool from FAST on page four of the draft report and noted it is primarily for youth who already were involved with the juvenile court system. However, this case still resulted in a finding and the only reason given to the State was a lack of a FAST assessment. This finding is a clear mistake given (1) the recognition that no FAST would be performed in this case, (2) the high CANS rating, and (3) a FAST would not determine risk of custody anyway as already explained above. Thus, this finding is unreasonable and should be reversed.

In sample case #44, the case was transferred to the Family Support Services (FSS) program within DCS by a court so no SDM intake would have been completed. As defined by DCS, FSS "is not only an immediate intervention to prevent a custodial episode, but it also provides a long-term intervention by helping families reach a level of self-efficacy stability."[3] In short, FSS is a long-term, immediate intervention for children at risk of custody. By the time the FAST was completed in this case, the child was already in FSS under court supervision. Thus, the FAST would not necessarily have a high need rating at that point in the case due to ongoing intervention. These facts clearly demonstrate the child was at risk of custody; moreover, it further demonstrates exactly why OIG is mistaken in treating the FAST as a risk of custody assessment. Here, the FAST would correctly determine immediate intervention is not needed given that significant intervention services were already in place; however, the case obviously still met the target group given the involvement of the court and FSS.

Finally, sample case #48 was also a court-involved case and so again an SDM was not completed; however, this case also clearly supports a risk of custody determination. In fact, it demonstrates an imminent risk of custody. The initial FAST completed on February 10, 2021, demonstrated "moderate need," which contradicts the OIG finding that the FAST did not show need. More critically, the Child and Family Team Meeting (CFTM) held immediately after on February 12, 2021, determined the child was an "IV-E" candidate. Under the DCS Title IV-E funding plan, children may be determined to be of imminent risk three ways: through a FAST determination of high risk, a CANS assessment of high risk, or a CFTM determination of high risk (see attachment). Thus, in this case, because the CFTM determined this child to be an IV-E candidate and of imminent risk of custody, the case clearly met the target group under procedures already approved by the federal government. In addition, the child in this case spent time in residential care while the court determined appropriate custody. The facts of this case demonstrate the child met not only the "serious risk" target group but also the higher "imminent risk" target group.

[3] https://www.tn.gov/dcs/program-areas/prevention/family-support-services.html

In summary, ten of the thirteen cases administered by DCS are clearly allowable when the correct tool for determining the target group – the SDM – is included in the analysis. A further three cases were the result of court involvement. Even putting aside that a court was involved, all three had reliable and conclusive indicia of risk of custody through the CANS, FSS, and CFTM tools. Together, all present demonstrate DCS identified the child as at risk of state custody as defined in the state plan, whether it be through an SDM, CANS, CFTM, FAST, FSS or court. The reality is that child welfare involvement is not one-size-fits-all but rather a complex nexus of systems and resources. Moreover, the state plan target group definition for serious risk does not require a FAST, or any other specific assessment, for the case to be an allowable claim. It simply states the child must be identified by DCS as at risk of custody, which unequivocally happened here. Thus, it is a mistake for OIG to so narrowly define what determines risk of custody. All cases subject to the finding were allowable claims.

TEIS Claims

Similarly, the State does not concur with the recommendation as it pertains to the TEIS claims. OIG relies on the same incorrect audit standard here that no FAST assessment was performed that indicated a risk of custody and again reads requirements into the definition of the target group that do not exist. Because the target group requirement is only that the children be identified as at risk by DCS, nothing in the definition prohibits or otherwise restricts DCS from making a categorical determination regarding serious risk of state custody, which is what occurred for these claims. Importantly, the TEIS categorical determination by DCS was (1) documented to meet the requirements of the state plan and (2) reasonable given the population covered by the TEIS program.

First, this categorical determination was documented for the duration of the audit period. The interagency agreement in place during the audit period clearly stated that children at risk will include those in Tennessee's Early Intervention Program. The definition of targeted case management at Section A.2.ee provides the following: "Targeted Case Management includes case management services provided through the Tennessee Department of Intellectual and Developmental Disabilities ("DIDD") for Tennessee Early Intervention Services ("TEIS")." Section A.4 then explicitly ties TEIS case management services to the category of children at risk of custody. Specifically, subsection A.4.a makes clear that DCS (1) will provide services for children "at risk of custody" and (2) those services include case management for TEIS children.

This documentation is critical because in Attachment 3.1.B.1., Program D, the state plan requires that case management "services will be provided in accordance with Medicaid/Title V agreement." The interagency agreement between TennCare, the Department of Health (Tennessee's Title V agency), and DCS not only documents this agreement with respect to TEIS case management but also creates an obligation for the services under this state plan provision to be performed as provided for in the agreement.

Taken together, TEIS case management services meet the requirements of the state plan. DCS identified a category of children at serious risk of state custody in accordance with the definition of the target group and that determination was appropriately reflected in the interagency agreement with both the Medicaid agency and the Title V agency. Thus, during the audit period, TEIS case management services clearly met the requirements of both Attachment 3.1-A and Attachment 3.1-B of the state plan.

Second, the determination by DCS to consider TEIS children categorically at risk was reasonable. Early intervention services serve children from birth to age three who have developmental delays or disabilities.[4] The literature and data on the child welfare system overwhelmingly demonstrates that this is the most likely age group to both become involved with and enter the child welfare system. First, data consistently shows, including HHS' own report, that children under three are disproportionately likely to become involved with the child welfare system.[5] In addition, almost half of all children entering the child welfare system are between birth and age five.[6] Thus, the age group targeted by early intervention is of particular concern to the State and children's services specifically. Likewise, children with developmental delays also make up nearly half of children in foster care, nearly five times the rate of the general population.[7] Moreover, studies show children subject to maltreatment are twice as likely to be in a custodial placement if they have a disability.[8] Similar to children under the age of five, children with disabilities also represent a disproportionate share of children involved with the child welfare system.

When combined, the population both at risk of and already in child welfare custody is heavily correlated with the same traits that define early intervention eligibility. The categorical risk of custody for infants and young children with developmental disabilities is disproportionately high, and the State's interest in providing case management services designed to prevent that custody is obvious. Because early intervention covers this exact population, the State had a reasonable basis to target children enrolled in TEIS for preventive support given the population's categorically higher risk of entering state custody. This is particularly true when, as is the case in this audit, the TEIS children are Medicaid recipients, which reflects yet another layer of socio-economic factors that increase the risk of custody.

As laid out above, the State strongly believes that the TEIS claims were both allowable under the state plan and reasonable given the characteristics of the Medicaid population served by early intervention. However, in the interest of clarity, the State submitted a state plan amendment that pulled TEIS case management services out from under DCS and into its own benefit. This state plan amendment was approved in 2025 without issue. However, CMS approval of the TEIS targeted case management benefit further supports the State's position. There is no debate that this service is an allowable Medicaid service, nor is there any debate that the TEIS claims within audit period are allowable Medicaid claims. Instead, OIG's findings as to the TEIS claims are purely technical and based on an overly prescriptive reading of the state plan. As the State has demonstrated, the TEIS claims were in fact allowable under the state plan because the categorical determination (1) met the requirements of the state plan, (2) was documented in the interagency agreement, and (3) was reasonable given the population covered by the determination.

[4] Note Tennessee has elected to provide early intervention services up to age 5.
[5] See, for example, Developmental Status and Early Intervention Services Needs of Maltreated Children, Office of Assistant Secretary for Planning and Evaluation, March 31, 2008.
[6] *See* Opportunities to Strengthen Developmental Screening for Children Involved in the Child Welfare Systems, Center for the Study of Social Policy, April 2018.
[7] *Id.*
[8] *See* Role of Child Welfare in Detection and Treatment of Early Childhood Developmental Concerns, JAMA Health Forum, October 24, 2025.

OIG Recommendation #2:

Tennessee should revise its procedures to include a step to verify that enrollees meet the eligibility criteria for an approved target group before it submits claims for Federal Medicaid Reimbursement as targeted case management claims.

State Response:

The State does not concur with this finding. With respect to the TEIS claims, the issue is now moot given those services are now claimed under a separate state plan benefit. However, the State nevertheless disagrees that an additional step was needed under the current state plan. As laid out above, this was a categorical determination of risk of custody that met the definition for the target group and was documented in the interagency agreement. Thus, no additional step was necessary.

For the DCS claims, the State does not believe an additional step is necessary for two reasons. First, the sample cases at issue here all indicate support for eligibility in the target group. The hotline cases had SDM ratings supporting referral and the court-involved cases all had clear, documented indications of risk of custody. Again, child welfare cases are not one-size-fits-all objective determinations of risk of custody. Families come into contact with the system in a variety of ways and various tools are employed to assess both risk and need depending on the circumstances. As an example, the State again notes the Title VI-E Funding plan, which provides for three different avenues to establish imminent risk (CANS, FAST, or CFTM). The State should not be so restricted on the Medicaid side where there is an even lesser standard of risk – "serious risk" – at issue. Second, the initial triage and needs assessment are all explicitly billable case management services under the state plan benefit under Section D of Attachment 3.1-A. No additional step is needed to verify eligibility for these services to be billable when the intake and assessment are themselves billable under the definition. If OIG would like a more prescriptive definition of services under the state plan, then OIG should consult with CMS rather than attempt to apply different standards on the State through this audit.

Conclusion:

The State reiterates its nonconcurrence with the recommendations of this audit. OIG's reliance on the FAST assessment is fundamentally flawed. It is not a risk of custody tool and should not be treated as such. The DCS claims at issue are clearly supported for eligibility in the target group when the correct tools and state plan requirements are considered. Similarly, the TEIS claims meet the target group as a categorical determination of risk. Furthermore, OIG's interpretation of the state plan itself is simply a bridge too far and mandates reading requirements into the state plan that are not there. Both sets of claims meet the standard for serious risk of state custody as defined by the state plan. For the DCS claims specifically, OIG did not consider the state plan definition of case management services, which clearly contemplated billing for the services performed within these cases.

Based on the clear evidence provided herein, the State strongly believes these findings should be reversed and looks forward to future discussions with OIG and CMS.

Division of TennCare

Regards,

Stephen Smith
Director

CC:

Drew Staniewski, Deputy Director, TennCare
Ginger Rogers, Internal Audit Director, TennCare
Megan Seehafer, Assistant Regional Inspector General
Brad Buhr, Senior Auditor, HHS-OIG
Troy Vickers, Auditor, HHS-OIG

List of Attachments:

Tennessee Family Advocacy and Support Tool (FAST 2.1), December 2023
Tennessee Title IV-E Prevention Plan, 2021-2026

Report Fraud, Waste, and Abuse

OIG Hotline Operations accepts tips and complaints from all sources about potential fraud, waste, abuse, and mismanagement in HHS programs. Hotline tips are incredibly valuable, and we appreciate your efforts to help us stamp out fraud, waste, and abuse.

TIPS.HHS.GOV

Phone: 1-800-447-8477

TTY: 1-800-377-4950

Who Can Report?

Anyone who suspects fraud, waste, and abuse should report their concerns to the OIG Hotline. OIG addresses complaints about misconduct and mismanagement in HHS programs, fraudulent claims submitted to Federal health care programs such as Medicare, abuse or neglect in nursing homes, and many more. Learn more about complaints OIG investigates.

How Does It Help?

Every complaint helps OIG carry out its mission of overseeing HHS programs and protecting the individuals they serve. By reporting your concerns to the OIG Hotline, you help us safeguard taxpayer dollars and ensure the success of our oversight efforts.

Who Is Protected?

Anyone may request confidentiality. The Privacy Act, the Inspector General Act of 1978, and other applicable laws protect complainants. The Inspector General Act states that the Inspector General shall not disclose the identity of an HHS employee who reports an allegation or provides information without the employee's consent, unless the Inspector General determines that disclosure is unavoidable during the investigation. By law, Federal employees may not take or threaten to take a personnel action because of whistleblowing or the exercise of a lawful appeal, complaint, or grievance right. Non-HHS employees who report allegations may also specifically request confidentiality.

Stay In Touch

Follow HHS-OIG for up to date news and publications.

 OIGatHHS

 HHS Office of Inspector General

Subscribe To Our Newsletter

OIG.HHS.GOV

Contact Us

For specific contact information, please visit us online.

U.S. Department of Health and Human Services
Office of Inspector General
Public Affairs
330 Independence Ave., SW
Washington, DC 20201

Email: Public.Affairs@oig.hhs.gov