



Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

JAN 08 2003

Report Number: A-01-02-00004

Dr. Eduardo B. Carballo
District Superintendent
Holyoke Public Schools
57 Suffolk Street
Holyoke, Massachusetts 01040

Dear Dr. Carballo:

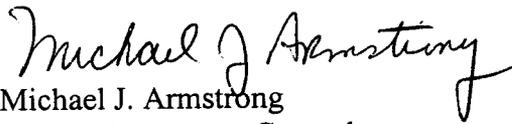
Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' (OAS) report entitled "Medicaid Payments for School-Based Health Services, Holyoke, Massachusetts - July 1999 through June 2000." A copy of this report will be forwarded to the action official noted below for his/her review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action 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.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), OIG, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to Report Number A-01-02-00004 in all correspondence relating to this report.

Sincerely yours,


Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures - as stated

Direct Reply to HHS Action Official:

Ms. Lynda Silva
Acting Regional Administrator
Centers for Medicare and Medicaid Services
U.S. Department of Health and Human Services
John F. Kennedy Federal Building, Room 2325
Boston, Massachusetts 02203-0003

cc: Frank McNamara, Director, Internal Control and Audit, Division of Medical Assistance,
Executive Office of Health and Human Services, Commonwealth of Massachusetts
John Robertson, Associate Vice Chancellor, Center Director, Center for Health Care
Financing, University of Massachusetts Medical School
Patti Cavanaugh, Acting Business Manager, Holyoke Public Schools

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MEDICAID PAYMENTS FOR
SCHOOL-BASED HEALTH SERVICES
HOLYOKE, MASSACHUSETTS
- JULY 1999 THROUGH JUNE 2000 -**



**JANET REHNQUIST
Inspector General**

**January 2003
A-01-02-00004**

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

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



EXECUTIVE SUMMARY

Background

The Medicaid Program was established by Title XIX of the Social Security Act and is jointly funded by the federal and state governments to provide medical assistance to pregnant women, children, and needy individuals who are aged, blind or disabled. Within broad federal guidelines, states design and administer the program under the general oversight of the Centers for Medicare and Medicaid Services. In Massachusetts, the Division of Medical Assistance (DMA) is the state agency responsible for administering the Medicaid program. The DMA contracts with the University of Massachusetts Medical School, Center for Health Care Financing, Municipal Medicaid to administer the school-based health services portion of the Medicaid program.

School-based health services reimbursable under the Medicaid program are provided by or through the Massachusetts Department of Education or a local education agency to students with special needs pursuant to an Individualized Education Plan (IEP). Services are provided in the school setting or another site in the community and include speech therapy, physical therapy, occupational therapy, audiological services, behavior management and/or counseling. Holyoke Public Schools, a local education agency located in Holyoke, Massachusetts, operated 16 public schools and contracted with as many as 29 private schools during our audit period. Of approximately 7,600 students who attended the Holyoke Public Schools during our audit period, 1,263 students received special education services for which the school system was reimbursed \$1,065,413 (federal share) under the Commonwealth of Massachusetts' Medicaid program.

Objective

The objective of our audit was to determine whether costs claimed for school-based health services by the Holyoke Public Schools through the Commonwealth of Massachusetts were reasonable, allowable and adequately supported in accordance with the terms of the state Medicaid plan and applicable federal regulations. The audit period included Medicaid payments made during the period July 1, 1999 through June 30, 2000.

Summary of Findings

In Massachusetts, claims for school-based health services are based on a daily per diem rate for the prototype (level-of-service) developed in each Medicaid eligible student's IEP. Each school district must have accurate attendance records, a valid IEP for each the student, an appropriate and accurate prototype, qualified Medicaid health care providers, and evidence that any Medicaid covered service in the IEP has been delivered before the Medicaid claim is submitted for federal reimbursement.

While our review indicated that Holyoke Public Schools had implemented many internal control procedures, we also found that further improvements can be made in internal controls. In this regard, the Holyoke Public Schools needs to improve their system of controls to ensure that all

providers possess the required licenses and that school-based health records are assembled and maintained to support the dates and types of services provided.

Our review of payments contained in randomly selected months for 100 recipients showed that in 29 of the 100 sample months, the Holyoke Public Schools billed the Medicaid program: (1) when personnel did not possess required qualifications, (2) for several students for which the school system did not locate any documentation to demonstrate that services prescribed in the IEP were delivered, (3) for several students who were not prescribed to receive school-based health services by a current IEP, (4) for the wrong prototype, and (5) when students were absent. Relative to our review of the randomly selected months, we estimate that the Holyoke Public Schools were inappropriately overpaid at least \$191,551 (federal share).

Internal controls need to be strengthened in the Holyoke Public Schools to ensure that it appropriately submits Medicaid claims for school-based health care services.

Recommendations

We recommend that the Holyoke Public Schools:

- Research Medicaid eligibility for all current health service providers and establish procedures to ensure that health services are rendered by Medicaid eligible providers,
- Develop written policies and procedures requiring service providers to document all health services delivered to Medicaid recipients which details client specific information regarding all specific services actually provided for each individual recipient of services and retain those records for review,
- Strengthen procedures to ensure that Medicaid billings are based on accurate attendance records that support the students' presence to receive services and students which have a current IEP that prescribes direct services,
- Strengthen controls to ensure the correct prototype is used when preparing claims for federal reimbursement, and
- Refund through the DMA, the \$191,551 that was inappropriately paid by the Medicaid program to the Holyoke Public Schools.

Auditee Response

In their response to the audit report, Holyoke Public School officials generally agreed with the procedural recommendations and stated they are developing written policies and procedures to document all health services delivered to all students and will establish a data team to ensure the integrity of data in the student database. They also provided us with additional information regarding provider qualifications for certain services and attendance data for one student. While school officials agreed that assistants were considered non-reimbursable under Medicaid regulations, school officials believed that under the Massachusetts bundled rate approach they

were required to seek reimbursement. School officials also pointed out that the assistants were qualified to deliver services to the students notwithstanding the Medicaid regulation providing that they were considered non-reimbursable. The auditee did not express agreement or disagreement and elected not to comment on actions that will be taken regarding the refund of the \$191,551 (federal share) that was inappropriately paid by the Medicaid program to the Holyoke Public Schools. (See Appendix C for Holyoke Public Schools' response in its entirety.)

Additional OAS Comments

We reviewed the additional information regarding provider qualifications for certain services and attendance data for one student and made appropriate changes to the final report. The Holyoke Public Schools should seek guidance from the Massachusetts DMA, relative to submitting claims when some services are provided by personnel qualified for reimbursement and some services are provided by personnel not qualified for reimbursement.

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INTRODUCTION

Background

The Medicaid Program was established by Title XIX of the Social Security Act and is jointly funded by the federal and state governments to provide medical assistance to pregnant women, children, and needy individuals who are aged, blind or disabled. Within broad federal guidelines, states design and administer the program under the general oversight of the Centers for Medicare and Medicaid Services (CMS). In Massachusetts, the Division of Medical Assistance (DMA) is the state agency responsible for administering the Medicaid program. The DMA contracts with the University of Massachusetts Medical School, Center for Health Care Financing, Municipal Medicaid to administer the school-based health services portion of the Medicaid program.

School-based health services reimbursable under the Medicaid program are provided by or through the Massachusetts Department of Education or a local education agency to students with special needs pursuant to an Individualized Education Plan (IEP). Services are provided in the school setting or another site in the community and include speech therapy, physical therapy, occupational therapy, audiological services, behavior management and/or counseling. The IEP describes the special education and related services, including school-based health services, which the student requires. An IEP must be in compliance with the Individuals with Disabilities Education Act, P.L. 94-142, as amended, and in compliance with requirements of regulations implementing Chapter 766 of the Acts of 1972, M.G.L., Chapter 71B, as amended.

To seek Medicaid reimbursement of school-based health services, school districts must:

- Have a Provider Agreement with the DMA
- Determine whether the student is enrolled in the Medicaid program
- Provide services pursuant to a valid IEP that are compliant with all Chapter 766 requirements (the Massachusetts special education law)
- Assemble and complete documentation that the Medicaid covered service in the IEP has been delivered by a qualified provider before the Medicaid claim is submitted to UNISYS (the DMA Medicaid claims agent) for federal reimbursement
- Comply with the Massachusetts Department of Education and DMA requirements concerning the authorization to share information with the DMA
- Submit a claim for reimbursement that details the student, dates of attendance, CMS Procedure Codes (level-of-service) and rates. (School districts submit claiming documents to UNISYS in order to obtain federal reimbursement.)

Massachusetts reimburses school districts for school-based health services based on the number of days in attendance times a statewide per diem rate for the program prototype per the student's IEP. According to the Massachusetts state Medicaid plan, the per diem rate is based on the Medicaid fee-for-service rate for each service and a statistically representative utilization rate for those services.

Holyoke Public Schools, a local education agency located in Holyoke, Massachusetts, operated 16 public schools and contracted with as many as 29 private schools during our audit period. Of approximately 7,600 students who attended the Holyoke Public Schools during our audit period, 1,263 students received special education services for which the school system submitted reimbursement claims to the Commonwealth of Massachusetts' Medicaid program. Holyoke Public Schools performed its billing functions in-house.

Objective, Scope and Methodology

The objective of our audit was to determine whether costs claimed for school-based health services by the Holyoke Public Schools through the Commonwealth of Massachusetts were reasonable, allowable and adequately supported in accordance with the terms of the state Medicaid plan and applicable federal regulations. Specifically, our audit included, but was not limited to, recipient and provider eligibility, payment rates and billing processes. The audit period included Medicaid payments made during the period July 1, 1999 through June 30, 2000.

To accomplish our audit objective, we:

- Reviewed federal and state laws, regulations and guidelines pertaining to the Medicaid program and special education related to school-based health services. We also reviewed the Commonwealth of Massachusetts State Plan Amendment 92-14 that describes the Department of Public Welfare's procedure for reimbursing school-based special needs services.
- Obtained an understanding of Holyoke Public Schools' internal controls relative to recipient eligibility, provider qualifications, payment rates and billing processes.
- Identified all individual claims made for days when the Holyoke Public Schools were not in session, including holidays (e.g., Thanksgiving, Christmas and Memorial Day), winter and spring vacations, professional in-service days, and snow and emergency days. We did not review claims for a residential placement or preschool placement.
- Selected from a population of 8,482 recipient/months (federal share totaling \$1,065,413), a simple random sample of 100 recipient/months representing claims totaling a federal share of \$12,772 in Medicaid claims paid during the period July 1, 1999 through June 30, 2000 for school-based health services in the Holyoke Public Schools.
- Obtained and analyzed information from Holyoke Public Schools and out-of-district schools' records which supported Holyoke Public Schools' claim for Medicaid reimbursement, including student eligibility for Medicaid, parental consent to bill Medicaid, student IEPs, student attendance and provider qualifications.
- Held discussions with officials from the Holyoke Public Schools and out-of-district schools.

Our audit was conducted in accordance with generally accepted government auditing standards. We performed our fieldwork at the Holyoke Public Schools in Holyoke, Massachusetts and other contracted out-of-district schools in Massachusetts during the period January 2002 through August 2002. See Appendix C for Holyoke Public Schools' response in its entirety.

FINDINGS AND RECOMMENDATIONS

In Massachusetts, claims for school-based health services are based on a daily per diem rate for the prototype (level-of-service) developed in each Medicaid eligible student's IEP. While our review indicated that Holyoke Public Schools had implemented many internal control procedures, we also found that further improvements can be made in internal controls. The Holyoke Public Schools need to improve their system of controls to ensure that school-based health records are assembled and maintained to support the dates and types of medical services provided and that all providers possess the required licenses. In this regard, the Holyoke Public Schools did not design a system of controls to ensure that: school-based health records were assembled and maintained to support the dates and types of medical services provided, and all providers possess the required licenses. In this regard, each school district must have accurate attendance records, a valid IEP for each student, an appropriate and accurate prototype, qualified Medicaid health care providers, and evidence that any Medicaid covered service in the IEP has been delivered before the Medicaid claim is submitted for federal reimbursement. Relative to our review of Medicaid claims in randomly selected months, we estimate that the Holyoke Public Schools were inappropriately overpaid at least \$191,551 (federal share).

Review of Sample Claims

As part of our review of the appropriateness of payments to the Holyoke Public Schools under the Medicaid program for school-based health care services, we reviewed payments totaling \$12,772 (federal share) for a random sample of months for 100 recipients paid during the period July 1, 1999 through June 30, 2000. We also reviewed all payments for days when schools were not in session.

We found that for payments contained in 29 of the 100 sample months reviewed, the Holyoke Public Schools claimed \$3,268 for school-based health services when: (1) providers did not have the qualifications required by DMA Medicaid regulations (18 sample months), (2) the Holyoke Public Schools did not maintain sufficient documentation that services prescribed in the IEP were delivered (7 sample months), (3) the student did not have an IEP prescribing direct services (4 sample months), (4) the wrong prototype was billed (2 sample months), and (5) the student was absent and did not receive services for at least one day (2 sample months). The individual sample units total more than 29 because some sample units had more than one condition. While some sample units had more than one condition, we did not question more than 100 percent of the claim. (See APPENDIX A.) As a result, we estimate that the Holyoke Public Schools were overpaid at least \$191,551 (federal share). (See APPENDIX B.) We also found that the Holyoke Public Schools had generally implemented procedures that appropriately prevented claims for school-based services on days when the schools were not in session.

Medicaid Provider Qualifications

For 18 of the 100 sample months reviewed, the Holyoke Public Schools claimed \$2,139 in daily per diem rates for school-based health services rendered by providers that did not have the qualifications required by DMA Medicaid regulations. Specifically, 16 of the 35 providers for which Holyoke Public Schools submitted claims for services did not have the required license: 14 provided speech therapy, 1 provided occupational therapy, and 1 provided counseling.

The CMS's *Medicaid and School Health: A Technical Assistance Guide*, dated August 1997, pages 15 and 16, states:

...In order for schools or school providers to participate in the Medicaid program and receive Medicaid reimbursement, they must meet the Medicaid provider qualification. It is not sufficient for a state to use Department of Education provider qualifications for reimbursement of Medicaid-covered school health services...Some Medicaid provider qualifications are dictated by the Federal Medicaid program by regulation, while other provider qualifications are established by the state...Where a school or school district provides a variety of Medicaid covered services, the school must meet all Federal and state provider qualifications associated with each service it provides....

Further, State Medicaid Plan, Supplement 2 to Attachment 4.19-B (dated June 20, 1992), states that direct care providers employed or contracted by school districts must comply with all qualifications for that provider type, including any state licensure and certification requirements. This is consistent with the provider agreement between DMA and Holyoke Public Schools, which states: "Direct care providers employed or contracted by the Provider must comply with the qualifications for that provider type established under the applicable Department regulations."

Medicaid payment for speech therapy, occupational therapy and counseling will be made for services that meet the applicable requirements below as set forth in the Commonwealth of Massachusetts, Division of Medical Assistance, Provider Manual Series, *Therapist Manual* and *Psychologist Manual*:

- **Speech/Language Therapist** – A speech/language therapist must be currently licensed by the Massachusetts Division of Registration and have either a Certificate of Clinical Competence from the American Speech, Language, and Hearing Association (ASLHA) or have obtained a statement from ASLHA of certification equivalency. (*Therapist Manual, section 432.404 (C)*)
- **Occupational Therapist** – An occupational therapist must be currently licensed by the Massachusetts Division of Registration in Allied Health Professions and currently registered with the American Occupational Therapy Association. (*Therapist Manual, section 432.404 (B)*)
- **Counseling** – A psychologist is eligible to participate in MassHealth [Medicaid] only if [emphasis added] the psychologist is licensed to practice by the Massachusetts Board of

Registration of Psychologists, with a specialization listed in clinical or counseling psychology or a closely related specialty. (*Psychologist Manual, section 411.404 (A)*)

The Holyoke Public Schools provided some of the therapies with their own staff and also contracted with Riverside Rehabilitation Industries (Riverside) to provide rehabilitative services, including speech and occupational therapies. In the contract, executed in 1996, between Holyoke Public Schools and Riverside, Riverside agreed "...at all times..." to provide services in accordance with procedures and standards established by Medicaid.

However, we found that 16 of the 35 providers did not have the required license for which Holyoke Public Schools submitted reimbursement claims: 14 provided speech therapy (\$2,139), 1 provided occupational therapy (\$195), and 1 provided counseling (\$195). With respect to speech/language and occupational services, school officials apprised us that the services were provided by assistants. The services rendered by these providers are not reimbursable under the Medicaid program. In this regard, the Commonwealth of Massachusetts, Division of Medical Assistance, Provider Manual Series, *Therapist Manual*, provides that DMA will not pay for services provided by any person under the therapist's supervision.

Discipline	Holyoke Public Schools	Riverside	Cost Questioned
Speech/Language Therapist	6	8	\$2,139
Occupational Therapist	1	-	0*
Counseling	<u>1</u>	<u>-</u>	0*
	<u>8</u>	<u>8</u>	<u>\$2,139</u>

* We are not questioning the costs for services provided by the occupational therapist or counselor as other services were provided to the student by a licensed provider.

Holyoke Public Schools did not have written policies or procedures in place requiring that all service providers for which Holyoke Public Schools intended to bill Medicaid had the required licenses. School officials advised us that they believed if the person providing the therapy or counseling was supervised by a licensed therapist or principal, then Holyoke Public Schools could bill Medicaid for the service.

Documentation of Services Delivered

For 7 of the 100 sample months reviewed, the Holyoke Public Schools claimed the daily per diem rate for school-based health services amounting to \$765 for which the school system did not maintain any documentation that services prescribed in the IEP were delivered. Specifically, the school system could not locate case/encounter notes for dates of service or progress notes spanning the sample month. The CMS's *Medicaid and School Health: A Technical Assistance Guide, dated August, 1997*, page 40, states:

...A school, as a provider, must keep organized and confidential records that details client specific information regarding all specific services provided for each individual recipient of services and retain those records for review ... Relevant documentation includes the dates of service....

In addition, the Commonwealth of Massachusetts' *Operational Guide for School Districts*, revised May 1995, requires that in addition to attendance records, schools assemble and complete documentation that any Medicaid covered service in the IEP has been delivered before the Medicaid claim is submitted to UNISYS for federal reimbursement.

Further, in the Provider Agreement the Holyoke Public Schools entered into with the DMA, the Holyoke Public Schools agreed to "... keep such records as are necessary to disclose fully the extent of the services to recipients and to preserve these records for a minimum period of six years...." However, Holyoke Public Schools only required therapists and service providers to fill out annual census information for each student for which they provided services. The census information included the start and end dates of services provided as well as the frequency of services provided on a per week basis.

For the students included in the 7 months reviewed, for which the Holyoke Public Schools could neither locate case/encounter notes for dates of service nor progress notes spanning the sample month, the Holyoke Public Schools could not provide the required documented assurance that services prescribed in the IEP were delivered.

Holyoke Public Schools did not have written policies or procedures in place requiring service providers to document services delivered to Medicaid recipients and to retain these records.

Individualized Education Plan

For 4 of the 100 sample months reviewed, the Holyoke Public Schools claimed the daily per diem rate for school-based health services amounting to \$390 based on an IEP for indirect services. Accordingly, reimbursement should not have been sought. The Holyoke Public Schools did not have computer edits to ensure that Medicaid claims were submitted only for students which had an IEP which prescribed direct special education services.

Using the bundled rate developed for direct services, the Holyoke Public Schools submitted claims for consultation services in January, March, May and one in June 1999 for four students, for which the IEPs did not prescribe any direct special education services in or out of the regular education classroom. The IEPs did prescribe "Indirect Services to School Personnel and Parents." The special education teachers were to confer with the regular education teachers. The IEPs listed the time as "as needed" to "15 minutes weekly, to 15 minutes monthly." The DMA has not approved a reimbursement rate for consultation for indirect services and it is inappropriate to use a bundled rate developed for direct services to seek reimbursement for indirect services.

Prototype

For 2 of the 100 sample months, Holyoke Public Schools claimed reimbursement for 33 days in error. Both of the errors resulted in over-payments totaling \$218. The school system claimed an incorrect per diem rate based on the level of service provided to the students. In this respect, Massachusetts reimburses school districts for school-based health services based on the number of days in attendance times a statewide per diem rate for the program prototype (level-of service)

per the student's IEP. Entering the wrong Prototype from the IEP into the Medicaid billing system will result in incorrect billing.

Student Absences

For 2 of the 100 sample months reviewed, the Holyoke Public Schools claimed the daily per diem rate for school-based health services amounting to \$18 when the students were absent and did not receive services for at least one day. Specifically, the attendance record used to bill Medicaid differed from original attendance records provided by the Holyoke Public Schools. In this regard, the attendance software used by the Holyoke Public Schools assumes that all students were in attendance 100 percent of the time unless an absence is entered in the system. We were unable to review original attendance records for 68 (100 – 32) of the sample months because Holyoke Public Schools does not have a policy for retaining these original records and these records are no longer available.

Recommendations

We recommend that the Holyoke Public Schools:

- Research Medicaid eligibility for all current health service providers and establish procedures to ensure that health services are rendered by Medicaid eligible providers,
- Develop written policies and procedures requiring service providers to document all health services delivered to Medicaid recipients which details client specific information regarding all specific services actually provided for each individual recipient of services and retain those records for review,
- Strengthen procedures to ensure that Medicaid billings are based on accurate attendance records that support the students' presence to receive services and students, which have a current IEP that prescribes direct services,
- Strengthen controls to ensure the correct prototype is used when preparing claims for federal reimbursement, and
- Refund through the DMA, the \$191,551 that was inappropriately paid by the Medicaid program to the Holyoke Public Schools.

Auditee Response

In their response to the audit report, Holyoke Public School officials generally agreed with the procedural recommendations and stated they are developing written policies and procedures to document all health services delivered to all students and will establish a data team to ensure the integrity of data in the student database. They also provided us with additional information regarding provider qualifications for certain services and attendance data for one student. While school officials agreed that assistants were considered non-reimbursable under Medicaid regulations, school officials believed that under the Massachusetts bundled rate approach they

were required to seek reimbursement. School officials also wanted to point to out that the assistants were qualified to deliver services to the students notwithstanding the Medicaid regulation providing that they were considered non-reimbursable. The auditee did not express agreement or disagreement and elected not to comment on actions that will be taken regarding the refund of the \$191,551 (federal share) that was inappropriately paid by the Medicaid program to the Holyoke Public Schools. (See Appendix C for Holyoke Public Schools' response in its entirety.)

Additional OAS Comments

We reviewed the additional information regarding provider qualifications for certain services and attendance data for one student and made appropriate changes to the final report. The Holyoke Public Schools should seek guidance from the Massachusetts DMA, relative to submitting claims when some services are provided by personnel qualified for reimbursement and some services provided by personnel not qualified for reimbursement.

APPENDICES

SCHEDULE OF SAMPLE ITEMS

Sample Number	Uncertified Providers			Documentation			IEP			Prototype			Inaccurate Attendance			Totals*	
	Error	Units	Dollars	Error	Units	Dollars	Error	Units	Dollars	Error	Units	Dollars	Error	Units	Dollars	Error	Dollars
88																	
89																	
90																	
91																	
92																	
93													1	1	12.19	1	12.19
94																	
95				1	14	312.48										1	312.48
96																	
97																	
98																	
99																	
100																	
	18	236	2,138.96	7	60	765.16	4	70	389.90	2	33	218.46	2	2	17.76	29	3267.99

* While some sample units had more than one condition, we did not question more than 100 percent of the claim.

RESULTS OF STATISTICAL SAMPLE

Sample Size	100
Value of Sample	12,772
Number of Errors	29
Value of Errors	\$3,267.99
Population Size	8,482
Value of Population	\$1,065,413

Point Estimate	\$ 277,191
Confidence Level	@ 90 %
Lower Confidence Limit	\$ 191,551
Upper Confidence Limit	\$ 362,831
Sample Precision	+/-30.90

Based on our statistical sample, we are 95 percent confident that the amount overpaid was at least \$191,551 (federal share).



Holyoke Public Schools - 57 Suffolk Street -Holyoke, Massachusetts 01040

Tel. (413) 534-2000 Fax. (413) 534-3730

ecarballo@hps.holyoke.ma.us

pcavanaugh@hps.holyoke.ma.us

Dr. Eduardo B. Carballo, Superintendent of Schools
Miss Patti A. Cavanaugh, Acting Business Manager

December 4, 2002

In response to your audit report the Holyoke Public Schools have the following commentary.

MEDICAID PROVIDER QUALIFICATIONS

Due to the large volume of students requiring Speech, PT, and OT therapies, the Holyoke Public Schools employs assistants to provide these services. To employ fully licensed therapists would be cost prohibitive to the district and almost impossible to staff.

Although these assistants are considered non-reimbursable per reg. 432.412, they are qualified service providers for these therapies.

There is currently no licensing available in the Commonwealth to recognize the assistant designee. Further, the Holyoke Public Schools bills on a per diem based on a student's prototype.

This bundled rate approach, based on attendance rather than fee-for service, prohibits us from disqualifying services provided by an assistant.

Lastly, the listing of persons who do not meet the qualifications is incorrect. Several of our teachers who are required to complete the census were erroneously identified as service providers.

DOCUMENTATION OF SERVICES DELIVERED

Therapists and service providers of the Holyoke Public Schools are required to document services provided on a monthly basis. Your report claims this is done annually. The report is called "Annual Census" since it tracks full-time equivalencies for students enrolled in special education programs.

Although the Holyoke Public School does have standardized instructions for completing the monthly census sheets, there is no formalized policy. We do require submission of this form before payment is provided to outside vendors. We will move forward to issue a formalized policy and procedure.

"A community working together to prepare our students for their future."

INDIVIDUALIZED EDUCATION PLAN

The billing for indirect services was made in error, as they were not properly identified. Procedures will be put in place to flag IEP's whose prototype designates indirect services only.

PROTOTYPE

The Medicaid Department of the Holyoke Public Schools does have controls in place to correctly ensure correct prototypes are used during billing. Firstly, we submit our billing six (6) months in arrears in order to ensure that prototype changes are reported. Secondly, if a prototype change is not received timely, the billing is reviewed for possible over/under payment. In the case of over payments received, adjustment billing is prepared. Please note, we do not submit adjustments for underpayments, as we would be entitled.

STUDENT ABSENCES

In a school district of our size, (approximately 7,500 students), it was impossible to continue to maintain manual attendance records. We have chosen to use a software program which records attendance in a more timely and efficient manner. Currently, the attendance is manually taken in the classroom and data input into the software program. Our goal is to record attendance in the classroom and eliminate all paperwork. In the High Schools the attendance is recorded on data cards which are scanned into the computer and the cards are re-used. In this day and age of technology it is impractical to expect manual paper trails to exist.

However, on the three errors in question, we do not agree that two of the students were not in attendance. Our records show that the students were not in homeroom at the time attendance was taken but did arrive tardy. That is why the original sheets obtained by you have them marked absent and the Rediker system has them in attendance. Unfortunately, we only have a paper trail documenting the tardy recorded for the student at the middle school level. This is because at the middle and high school levels multiple attendance reports are issued during the day to reflect tardies, early or sick dismissals. The elementary schools do not require these reports.

The Holyoke Public Schools does plan to implement an audit team that will create an audit program to ensure the integrity of the system data. These audits will be performed at all schools on a quarterly basis.

RECOMENDATIONS

- To ensure that all health services are rendered by Medicaid eligible providers is impossible without jeopardizing our students' needs. The Holyoke Public Schools could neither afford nor staff full complements of speech therapist, physical therapists, and occupational therapists. Assistants will continue to be used to render these most vital services to our students. The DMA should be moving forward to license and recognize these qualified, trained, and supervised

assistants. Further, under the current billing structure, we do not have any way to eliminate one service from the bundled rate.

- Holyoke Public Schools is moving forward in developing written policies and procedures to document all health services delivered to all recipients. We will not target or identify Medicaid eligible students. However, we are a school district, not a profit agency and our primary goal and concern will be to deliver the services.
- As discussed previously, the Holyoke Public Schools will establish a data audit team to ensure the integrity of the data in the Student database. However, we will also continue to move in the direction of a paperless system.
- Prototypes will continue to be monitored, updated and changed in a timely manner. However, we will also continue to submit, adjusted, corrected, and voided claims, as we cannot be expected to be 100% correct 100% of the time.

In closing, we understand the focus of this audit report is to identify weaknesses. However, we would like to take this opportunity to highlight our strengths.

- 100% parental authorizations and no use of negative confirmations.
- No improper billing for weekends, holidays, and snow days.
- Valid IEP's for all students
- Thorough billing policies and procedures in place and utilized.

Respectfully Submitted,



Patricia A. Cavanaugh
Acting Business Manager