This memorandum transmits the final report entitled, Controlling Medicaid Payments for School and Preschool Supportive Health Services (Report 2000-S-1). The audit addressed Medicaid payments for certain diagnostic and special education services for eligible students in New York for the period January 1, 1997 through December 31, 1999. The New York Office of the State Comptroller (OSC) performed the review. Our work was conducted as part of the partnership efforts with State auditors to expand audit coverage of the Medicaid program. We have performed sufficient work to satisfy ourselves that the attached audit report can be relied upon and used by the Centers for Medicare and Medicaid Services (CMS) in meeting its program oversight responsibilities.

We suggest you share this report with the components involved with program integrity, provider issues, and State Medicaid agency oversight, particularly the Center for Medicaid and State Operations.

The objective of the review was to determine the accuracy of Medicaid payments made to School and Preschool providers. The OSC found that Medicaid might have inappropriately made between $33 million and $37.1 million of School and Preschool payments during the 3-year period ending December 31, 1999. Most of the overpayments were attributed to a control weakness that was not corrected until December 31, 1997 by the New York City Board of Education, the agency responsible for submitting claims to the Medicaid Management Information System (MMIS). While the New York City Board of Education officials corrected the weakness prior to the OSC audit, they did not take steps to repay the overpayments.

The OSC recommended that the New York State Departments of Health (Health) and Education:

- Establish procedures to monitor Medicaid billings for duplicate claims between the School and Preschool programs and investigate the feasibility of implementing MMIS computer edits to prevent future payment of these claims.
Further, the OSC recommended that Health:

- Investigate and recoup inappropriate School and Preschool Medicaid Payments for:
  1. Duplicate payments between programs;
  2. Excessive Targeted Case Management (TCM) services, and;
  3. Duplicate payments made to different providers within the same program.

- Implement procedures to monitor Medicaid billings for TCM claims to detect inappropriate Medicaid payments for TCM services.

- Investigate to determine the reason the MMIS near duplicate computer edit did not detect and prevent Medicaid payments to more than one school district or county for the same recipient, service or rate code, and date of service.

As we do with all audit reports developed by nonfederal auditors, we have provided as an attachment, a list of the coded recommendations for use by your staff in working with the State to resolve findings and recommendations through your stewardship program. The attachment provides a summary of the recommendations contained in the OSC audit report for the 3-year period ended December 31, 1999.

If you have any questions about this review, please let me know or have your staff contact George M. Reeb, Assistant Inspector General for Health Care Financing Audits, at (410) 786-7104.

Attachments
Summary of Recommendations Contained in Report 2000-S-1

<table>
<thead>
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DEPARTMENT OF HEALTH
AND
STATE EDUCATION DEPARTMENT

CONTROLLING MEDICAID PAYMENTS
FOR SCHOOL AND PRESCHOOL
SUPPORTIVE HEALTH SERVICES

REPORT 2000-S-1

H. Carl McCall
Comptroller
Dear Dr. Novello and Mr. Hayden:

The following is our report on the Department of Health’s and the State Education Department’s policies and procedures for controlling Medicaid payments made to providers through the School and Preschool Supportive Health Services programs.

This audit was performed pursuant to the State Comptroller’s authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of Management Audit and State Financial Services

January 18, 2001
Executive Summary

Department of Health and
State Education Department
Controlling Medicaid Payments for School and
Preschool Supportive Health Services

Scope of Audit

The Department of Health (Health) is responsible for the overall operation of New York State’s Medical Assistance Program (Medicaid). Health uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process and pay Medicaid claims. The School Supportive Health Services (School) and Preschool Supportive Health Services (Preschool) programs were developed jointly by Health and the New York State Education Department (Education) to assist school districts and counties in obtaining Medicaid reimbursement for certain diagnostic and special education services provided to Medicaid eligible students with, or suspected of having, disabilities. During the 1998 calendar year, Medicaid paid School claims totaling more than $563 million and Preschool claims totaling almost $72 million.

Our audit addressed the following question about Health’s and Education’s monitoring of the School and Preschool programs for the period January 1, 1997 through December 31, 1999:

- Do Health and Education adequately monitor Medicaid School and Preschool payments to prevent and detect inappropriate payments?

Audit Observations and Conclusions

We found that Medicaid may have inappropriately made between $33 million and $37.1 million of School and Preschool payments during the period January 1, 1997 through December 31, 1999. Most of the overpayments can be attributed to a control weakness that occurred during calendar year 1997 at the New York City Board of Education, which is responsible for submitting claims from New York City to MMIS. While New York City Board of Education officials corrected the weakness prior to our audit, the officials did not take steps to repay the overpayments. Consequently, we conclude that Health and Education need to improve their monitoring of School and Preschool billings.

The School program provides services to children from 5 to 21 years old, and the Preschool program provides services to children from 3 to 4 years old. In general, program standards state children should not receive services from both programs. However, there are no controls in MMIS which prevent providers from both the School and Preschool programs from billing for the same recipient and date of service. We identified
School claims totaling over $30.9 million and Preschool claims totaling almost $35 million which were paid for the same child and date of service. We recommend that Health and Education establish procedures to monitor Medicaid billings for duplicate claims between the School and Preschool programs and investigate the feasibility of implementing MMIS computer edits to prevent future payment of duplicate claims between programs. We also recommend that Health investigate and recover inappropriate payments from the School or Preschool providers. (See pp. 5-6)

In addition, School providers receive Medicaid reimbursement for services identified as Targeted Case Management (TCM), a comprehensive service that includes coordinating medical and non-medical procedures for a student. For many TCM services, there are limitations regarding how often the service may be provided. For example, there are initial reviews, annual reviews and triennial reviews. During our audit period, we found that Health did not adequately monitor Medicaid TCM payments to detect and prevent excessive Medicaid billings for certain TCM services. As a result, we identified potentially excessive TCM billings totaling more than $1.9 million. For example, one student received nine “annual” reviews during the 1998-99 school year. We recommend that Health investigate and recover inappropriate payments for excessive TCM services and implement procedures to monitor Medicaid billing for TCM services to detect inappropriate payments. (See pp. 6-8)

Only one school district or county should bill Medicaid at any time for School or Preschool services provided to a student. We identified School and Preschool claim overpayments totaling about $218,000 for which Medicaid made duplicate payments to more than one school district or county for the same recipient, service and date of service. We recommend that Health investigate and recover overpayments from the appropriate school district or county. (See p. 8)

Comments of Officials

Department of Health and State Education Department officials agreed with our recommendations. Health Department officials stated that they have implemented edits to make it impossible for any service to be claimed by both a Preschool and School program provider. Health Department officials also stated that they have voided and/or adjusted all duplicate and excessive payments made to the NYC Board of Education and are continuing to investigate and void duplicate and excessive payments made to upstate providers. State Education Department officials stated that they have instituted edits to prevent inappropriate multiple claims for the same student and to limit the number of Targeted Case Management services that can be claimed.
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- Major Contributors to This Report

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### Appendix C
- Response of State Education Department Officials
Introduction

Background

The Federal Individuals with Disabilities Education Act (IDEA) requires states to provide appropriate special education and related services to children with, or suspected of having, disabilities. In 1988, Section 1903(c) of Title XIX of the Federal Social Security Act was passed, allowing states to supplement allocated state funds for these services with Medicaid dollars. Prior to 1988, all costs to the states for providing these services were funded through state educational resources.

Sections 368(d) and (e) of the New York State Social Services Law authorize the use of Medicaid funds for the School Supportive Health Services (School) and Preschool Supportive Health Services (Preschool) programs, respectively. The School and Preschool programs were developed jointly by the New York State Department of Health (Health) and the New York State Education Department (Education) to assist school districts and counties in obtaining Medicaid reimbursement for certain diagnostic and health support services provided to students with, or suspected of having, disabilities. In general, under the School program, students from 5 to 21 years old receive special education services from their local school district. Under the Preschool program, 3 to 4 year old children receive special education services through their county offices. The services provided by both programs include physical therapy, occupational therapy, speech pathology/therapy (including evaluations), psychological counseling, skilled nursing, basic and comprehensive psychological evaluations, medical and audiological evaluations, and transportation.

School districts also receive Medicaid reimbursement for services identified as Targeted Case Management (TCM), a comprehensive service that includes coordinating medical and non-medical procedures for a student. TCM services include: (1) developing and updating the child's Individualized Education Program (IEP); (2) performing a triennial assessment of the child's progress and special education needs; and (3) providing ongoing service coordination. The IEP is a document that specifies the special education programs and health related services to be provided to meet the educational needs of a student classified as having a disability. An IEP is required for every child in both the School and Preschool programs and must be updated yearly. The IEP must include information on the frequency and duration of the approved services. Providers can receive Medicaid reimbursement for School and Preschool program services that are supported by a child's IEP and provided by qualified professionals under contract with or employed by the school district or county.
Medicaid payments for the School and Preschool programs are funded equally with State and Federal funds. The State share of the Medicaid payment is taken from the school district’s or county’s annual State education aid appropriation. Therefore, a school district or county would still receive the State share of the Medicaid payment from the State education aid appropriation in the absence of any School or Preschool program Medicaid payments. The full Federal share of the Medicaid payment for these services is paid to the school district or county when the Medicaid claim is adjudicated and, later, one-half of these monies is transferred to the State. During the calendar year ended December 31, 1998, Medicaid paid School claims totaling more than $563 million and Preschool claims totaling almost $72 million.

Health is responsible for administering the State’s Medicaid Program and for ensuring the appropriateness of Medicaid payments. Health uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process Medicaid claims and to pay health care providers for services rendered to Medicaid recipients. Claims are processed against computer edits within MMIS to identify potentially inappropriate claims.

Education is responsible for monitoring the School and Preschool programs to ensure that the school districts and counties comply with the requirements of IDEA and that the special education needs of the children of New York State are being met. Staff at Education's regional offices work in conjunction with school district staff to perform Quality Assurance Collaborative Reviews at least once every seven years at each school district in the State. Some school districts, however, may be reviewed more frequently when necessary. The purpose of these reviews is to ensure that the school district complies with IDEA and to identify ways to improve the effectiveness and quality of the special education services provided.

Health and Education have worked jointly to help ensure the appropriateness of Medicaid payments to School and Preschool providers. Education, with Health’s assistance, has developed a computerized claims processing system which identifies potentially inappropriate Medicaid claims prior to their submission to MMIS. The Central New York Regional Information Center (CNYRIC) was created by Education to assist the school districts and counties with their School and Preschool claims. The CNYRIC identifies students in special education programs with Medicaid eligibility and submits School and Preschool claims to MMIS for the school districts and counties. Under this process, various Regional Information Centers (RIC) located throughout the State act as intermediaries between the
CNYRIC and the school districts and counties. Once students have been identified as Medicaid eligible, school districts and counties submit service information to the CNYRIC via the RIC. The CNYRIC processes the service information against a series of computer edits to identify potential errors prior to submitting the claims to MMIS. All School and Preschool claims are submitted through the CNYRIC, except those for New York City students.

School and Preschool claims from New York City are submitted by the New York City Board of Education (Board of Education). The Board of Education maintains its own billing system and has a number of computer edits to identify potentially inappropriate Medicaid claims prior to submission to MMIS. Also, the Board of Education has established monitoring activities to ensure that the special education needs of their students are met. The Board of Education's Office of Monitoring and School Improvement performs yearly reviews of special education programs at every elementary and middle school administered by the Board of Education. Reviews are conducted at every New York City high school once every three years.

Audit Scope, Objective and Methodology

We audited Health's and Education's procedures for monitoring and controlling Medicaid reimbursements to School and Preschool providers paid during the period January 1, 1997 through December 31, 1999. The objective of our performance audit was to determine the accuracy of Medicaid payments made to School and Preschool providers. We conducted our audit during the period January 31, 2000 through September 11, 2000.

To accomplish our audit objective, we interviewed officials from Health, Education, the Board of Education, Erie County Division of Youth Services, Warren County Public Health Department, and Amsterdam and Rochester city school districts. We reviewed the policies and procedures followed for processing claims for School and Preschool services. We used computer assisted auditing techniques to identify inappropriate payments made by MMIS during our audit period.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess the operations of Health and Education that are included in our audit scope. Further, these standards require that we understand Health's and Education's internal control structure and compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope. An audit includes examining, on
a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are generally prepared on an “exception basis.” This report, therefore, highlights those areas needing improvement and generally does not address activities that may be functioning properly.

Response of Health and Education Officials to Audit

Draft copies of this report were provided to Health and Education officials for their review and comments. Their comments were considered in preparing this report and are included as Appendix B and Appendix C, respectively.

In addition to the matters discussed in this report, we have also reported separately to Education officials about another audit issue. While this matter is of lesser significance, officials should implement our recommendation related to this issue to improve the efficiency of Medicaid payment operations.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Health and the Chancellor of The University of the State of New York shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.
Supportive Health Services Payment Monitoring

Health is responsible for establishing and maintaining a system of internal controls to help ensure the accurate payment of all Medicaid claims. While Health and Education have established a system of computerized edits to help ensure the accuracy of School and Preschool payments, these controls are not adequate to prevent or detect all inappropriate School and Preschool payments. As a result, we found that Medicaid may have inappropriately paid between $33 million and $37.1 million during the period January 1, 1997 through December 31, 1999. The Federal portion of these overpayments, representing approximately one-half of the total, will be repaid by the State and local governments, including school districts. The State portion of the overpayments will be retained by the affected local governments as part of their State education aid appropriation.

Duplicate Payments Between Programs

The School and Preschool programs provide special education services to different populations of children with, or suspected of having, disabilities. In general, children should not receive services from both programs at the same time. The exception to this situation can occur when a School provider renders evaluation services to a Preschool child approaching School age. At this time, it may be appropriate for children to receive services, and for claims to be paid, to providers in both programs for the same service date.

We performed a computer match of the School and Preschool Medicaid claims for the period January 1, 1997 through December 31, 1999 to identify School and Preschool payments for the same child and same date of service. We identified 80,498 School claims totaling over $30.9 million and 76,656 Preschool claims totaling almost $35 million which were paid for the same child, service and date of service. Included in these claims were:

- Duplicate payments to a School and Preschool provider for the same child, service and date of service. For example, we identified 38,023 instances where both a School and Preschool provider were paid for providing speech therapy to the same child for the same time period. Overall, we identified 42,913 School claims totaling almost $18.2 million and 42,913 Preschool claims totaling nearly $21.8 million which were paid for the same child, service and time period.
The remaining School and Preschool claims were duplicate payments for the same child and time period, but not the same service. We identified 37,585 School claims totaling over $12.7 million and 33,743 Preschool claims totaling $13.2 million which were paid for the same child and time period.

During our audit, the MMIS claims processing system did not have computer edits in place to prevent School and Preschool providers from billing duplicate Medicaid payments for the same recipient and time period. School and Preschool claims are submitted to MMIS from either the CNYRIC or the Board of Education. Over 97 percent of the duplicate School and Preschool claims we identified were submitted by the Board of Education for calendar year 1997. In 1997, the Board of Education identified the potential for Preschool and School providers to bill for the same recipient and date of service and implemented internal edits to prevent such billing patterns from occurring. These edits were applied to all New York City claims billed after December 31, 1997. At the time these edits were implemented, the Board of Education did not review paid claims history to identify and adjust any School and Preschool claims for the same recipient and date of service. The claims processing system developed by the CNYRIC also does not have computer edits to prevent School and Preschool providers from billing for the same recipient and date of service. The lack of edits to prevent School and Preschool providers from billing duplicate claims resulted in overpayments between $30.9 million and nearly $35 million, depending on which provider, School or Preschool, was overpaid.

Targeted Case Management Monitoring

TCM services include developing and yearly updating of a child's IEP through an initial IEP and annual IEP review. Other TCM services include the performance of a triennial assessment of a student's progress and special education needs. We identified potentially excessive TCM billings totaling more than $1.9 million for the period of January 1, 1997 through December 31, 1999. These excessive billings occurred because Health has not developed an effective system to monitor TCM billings. Although Health has developed and implemented computer edits which would produce management reports when one TCM claim is billed for the same recipient and date of service as another TCM claim, the claims we identified as potentially excessive would not have been identified by these computer edits since they were not billed for the same date of service. The following paragraphs explain our findings with respect to initial IEP reviews, annual IEP reviews and triennial reviews.
Initial IEP Reviews

A claim for developing the initial IEP should be billed to Medicaid by a School provider only when a student is referred to the school district’s Committee on Special Education (Committee) for an initial review. The Committee determines which, if any, special education services a student should receive. A School provider should not bill Medicaid for an initial IEP review performed after providing other School services for a student. Using computer assisted auditing techniques, we reviewed Medicaid payments for TCM services for the period January 1, 1997 through December 31, 1999 to identify initial IEP reviews billed to Medicaid after the provider had already begun providing services to the student. We identified 1,207 such claims totaling over $1 million.

According to Education officials, it would be unlikely that a provider would perform more than two initial IEP reviews for the same student within a school year (July 1 through June 30). We performed a computer analysis of Medicaid payments for initial IEP reviews for the 1997-98 and 1998-99 school years and identified 17 students with claims for three or more initial IEP reviews during the same school year. For one student, the School provider billed Medicaid for ten initial reviews during the 1998-99 school year. The excessive initial IEP reviews for these 17 students cost over $52,000.

Annual IEP Reviews

An annual IEP review must occur every year to determine whether the existing IEP is meeting the student’s needs. This review may be billed only once per school year. We performed a computer analysis of Medicaid payments for annual IEP reviews for the 1997-98 and 1998-99 school years and identified 2,552 students with claims for two or more annual IEP reviews within the same school year. For one student, a School provider billed Medicaid for nine annual reviews during the 1998-99 school year. The excessive annual IEP reviews for these 2,552 students cost over $750,000.

Triennial Reviews

A triennial review may be billed once every three school years to assess a child’s progress and special education needs. We performed a computer analysis of Medicaid payments for triennial reviews for the 1997-98 and 1998-99 school years and identified 163 students with claims for two or more triennial reviews within the same school year. For one student, the School provider billed Medicaid for ten triennial reviews during the 1997-
98 school year. The excessive triennial reviews for these 163 students cost over $120,000.

Payments Made to Different Providers Within the Same Program

Near duplicate payments are defined as two or more payments to different providers, for the same recipient, service or rate code, and date of service. Only one school district or county should bill Medicaid at any time for School or Preschool services provided to a student. Using computer assisted auditing techniques, we identified 978 School and Preschool claims totaling over $435,000 for which Medicaid made payments to more than one school district or county for the same recipient, service, and date of service during the period January 1, 1997 through December 31, 1999. For example, we found two school districts were each paid for providing speech therapy to the same recipient during May 1997. Medicaid inappropriately paid one-half of these claims for a total overpayment of about $218,000.

Health has a computer edit within MMIS to identify these near duplicate payments. The near duplicate edit is applied to School and Preschool claims and should have identified and prevented payment of these claims. Health officials were unable to determine why the edit did not detect or prevent these inappropriate payments.

Recommendations

To Health and Education:

1. Establish procedures to monitor Medicaid billings for duplicate claims between the School and Preschool programs and investigate the feasibility of implementing MMIS computer edits to prevent future payment of these claims.

To Health:

2. Investigate and recoup inappropriate School and Preschool Medicaid payments for:

   • Duplicate payments between programs;
   • Excessive TCM services; and
   • Duplicate payments made to different providers with the same program.
Major Contributors to This Report

Kevin McClune
Lee Eggleston
Gabriel Deyo
Sharon Whitmore
Ottavio Nicotina
Robert Elliott
Lawrence Julien
Paul Bachman
Response #2 (cont'd):

We are continuing to investigate and void duplicate and excessive payments made to upstate providers.

Recommendation #3:

Implement procedures to monitor Medicaid billings for TCM claims to detect inappropriate Medicaid payments for TCM services.

Response #3:

The Department has implemented edits with Central New York Regional Information Center to limit TCM claims to appropriate levels. We are also developing a process to use the new Medicaid Data Mart to monitor claims. In addition, these edits will be built into the new MA payment system, eMedNY. It would not be cost-effective to modify the existing Medicaid Management Information System.

Recommendation #4:

Investigate to determine the reason the MMIS near duplicate computer edit did not detect and prevent Medicaid payments to more than one school district or county for the same recipient, service or rate code, and date of service.

Response #4:

The Department is working with Computer Sciences Corporation to determine why the near duplicate computer edit did not detect and prevent these payments. Once the reason has been identified, we will address the issue.
This is in response to your November 14, 2000 letter transmitting the draft audit report (2000-S-1) of the Department of Health's (DOH) and the State Education Department's (SED) policies and procedures for controlling Medicaid payments made to providers through the School and Preschool Supportive Health Services Programs.

The Department agrees that the citations and recommendations listed in the draft audit report 2000-S-1 are factually accurate and appropriate.

Recommendation #1:

To Health and Education:

Establish procedures to monitor Medicaid billings for duplicate claims between the School and Preschool programs and investigate the feasibility of implementing MMIS computer edits to prevent future payment of these claims.

The following procedures to monitor Medicaid claims between the School and Preschool programs have been implemented.

- The Central New York Regional Information Center (CNYRIC) and the New York City Board of Education (NYCBOE) have instituted edits within their software to prevent inappropriate multiple claims for the same student, same service and same date from being submitted by school districts and counties.

- The CNYRIC and NYCBOE have instituted edits to limit the number of Target Case Management (TCM) services that can be claimed. Each TCM service is limited to an appropriate number for the type of service, e.g., Annual Review may...
only be claimed once annually. Similar edits have been incorporated into the Part 200 micro and main frame systems being used by many school districts.

The Department will continue to monitor these edits to assure they are functioning appropriately. SED and DOH will also continue their efforts in assuring that the Medicaid programs in New York State meet the standards established by policy, regulation and statute.

Recommendations 2, 3 and 4:

To Health:

2. Investigate and recoup inappropriate School and Preschool Medicaid Payments for:
   - Duplicate payments between programs;
   - Excessive TCM services; and
   - Duplicate payments made to different providers with the same program.

3. Implement procedures to monitor Medicaid billings for TCM claims to detect inappropriate Medicaid payments for TCM services.

4. Investigate to determine the reason the MMIS near duplicate computer edit did not detect and prevent Medicaid payments to more than one school district or county for the same recipient, service or rate code, and date of service.

This does not require a response from SED since this is addressed to DOH.

We appreciate the courtesies and professionalism demonstrated by your staff during this audit. If you have any questions regarding this response, please contact Robert Scalise at (518) 474-9341 or at rscalise@mail.nysed.gov.

Sincerely,

Richard H. Gate

cc: Robert J. Scalise
    Commissioner Antonia C. Novello