



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
Jacob Javits Federal Building
26 Federal Plaza, Room 3900
New York, NY 10278

January 13, 2010

Report Number: A-02-07-01053

Ms. Jennifer Velez, Esq.
Commissioner
New Jersey Department of Human Services
222 South Warren Street
P.O. Box 700
Trenton, New Jersey 06825-0700

Dear Ms. Velez:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Early Intervention Services Costs Claimed by New Jersey to the Medicaid Program." We will forward a copy of this report to the HHS action official noted below.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-02-07-01053 in all correspondence.

Sincerely,

/James P. Edert/
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

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

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF EARLY INTERVENTION
SERVICES COSTS CLAIMED BY
NEW JERSEY TO THE
MEDICAID PROGRAM**



Daniel R. Levinson
Inspector General

January 2010
A-02-07-01053

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

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

In New Jersey, the Department of Human Services (the State agency) administers the Medicaid program. Pursuant to Attachment 3.1-A of New Jersey's Medicaid State plan, rehabilitation services under the early intervention program are limited to services contained in a treatment plan and provided under the treatment component of Early Periodic Screening, Diagnosis, and Treatment (EPSDT) to children with disabilities. The EPSDT program is administered by the New Jersey Department of Health and Senior Service, Division of Family Health Services. The program's mission is to enhance the capacity of families to meet the developmental and health-related needs of children who have delays or disabilities by providing quality services and support to families and their children.

The State agency entered into a contingency fee contract with Covansys Corporation (Covansys) in February 2004 to administer, manage, and operate a statewide billing and collection system for early intervention services. According to the terms of the contract, Covansys operated a centralized finance office and a claims payment system. Early intervention service providers submitted claims to Covansys, which processed the claims and forwarded them to the State agency for payment.

The State agency subsequently claimed \$69,107,868 (\$34,553,934 Federal share) for reimbursement of early intervention services paid to providers within 12 months from the date of service for the period July 1, 2005, through June 30, 2007. The State agency paid Covansys a contingency fee of 1.55 percent of funds federally reimbursed as a result of their contract.

OBJECTIVE

Our objective was to determine whether New Jersey properly claimed Federal Medicaid reimbursement for early intervention services paid to providers within 12 months from the date of service and submitted as a result of its contingency fee contract with Covansys.

SUMMARY OF RESULTS

Early intervention services paid to providers by the State agency within 12 months of the date of service were claimed in accordance with Federal and State regulations. This report contains no recommendations.

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INTRODUCTION

BACKGROUND

Medicaid Program

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

Pursuant to 42 CFR 447.45(d)(1), State Medicaid agencies must require providers to submit all claims no later than 12 months from the date of service. In addition, pursuant to 42 CFR 447.45(d)(4), State Medicaid agencies must pay all claims within 12 months of the date of receipt.¹

New Jersey Early Intervention System

In New Jersey, the Department of Human Services (the State agency) administers the Medicaid program. Pursuant to Attachment 3.1-A of New Jersey's Medicaid State plan, rehabilitation services under the early intervention program are limited to services contained in a treatment plan and provided under the treatment component of Early Periodic Screening, Diagnosis, and Treatment (EPSDT) to children with disabilities. The EPSDT program is administered by the New Jersey Department of Health and Senior Service, Division of Family Health Services. The program's mission is to enhance the capacity of families to meet the developmental and health-related needs of children who have delays or disabilities by providing quality services and support to families and their children.

Covansys Corporation

The State agency entered into a contingency fee contract with Covansys Corporation (Covansys) in February 2004 to administer, manage and operate a statewide billing and collection system for early intervention services. Pursuant to the contract, Covansys operated a centralized finance office and a claims payment system. Early intervention service providers submitted claims to Covansys, which processed the claims and forwarded them to the State agency for payment.

The State agency subsequently claimed \$69,107,868 (\$34,553,934 Federal share) for reimbursement of early intervention services paid to providers within 12 months from the date of service for the period July 1, 2005, through June 30, 2007. The State agency paid Covansys a contingency fee of 1.55 percent of funds federally reimbursed as a result of their contract.

¹This time limitation does not apply to retroactive adjustments, claims from providers under investigation for fraud or abuse, or payments made in accordance with a court order.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether New Jersey properly claimed Federal Medicaid reimbursement for early intervention services paid to providers within 12 months from the date of service and submitted as a result of its contingency fee contract with Covansys.

Scope

Our audit covered early intervention services totaling \$69,107,868 (\$34,553,934 Federal share) that were claimed from July 1, 2005, through June 30, 2007. During our audit, we did not review the overall internal control structure of the State agency or the Medicaid program. Rather, we reviewed only those internal controls that pertained directly to the objective of our audit.

We performed our fieldwork from November 2007 through March 2009 at the State agency's offices in Trenton, New Jersey.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal and State laws, regulations, and guidance;
- reviewed the contingency fee contract between the State agency and Covansys;
- obtained a database from the State agency containing 298,994 paid early intervention services claims totaling \$69,107,868 (\$34,553,934 Federal share)² submitted as a result of its contract with Covansys;
- reconciled early intervention services claims to the Form CMS-64s submitted by the State agency for the period July 1, 2005, through June 30, 2007;
- eliminated from the database provider claims submitted to the State agency more than 12 months after the date of service;³
- identified a sampling frame of 259,418 paid early intervention services claims, totaling \$74,407,260 (\$37,203,630 Federal share);

²This is the net amount (positive claims less adjustments) claimed by the State agency on its Form CMS-64s. For sample purposes, we excluded negative claims from our population.

³We are reviewing claims submitted by providers to the State agency more than 12 months after the date of service as part of a separate audit.

- selected a simple random sample of 100 claims from the sampling frame of 259,418; and
- for each of the 100 sampled claims, we determined if:
 - the child receiving the related service was enrolled in the Medicaid program;
 - the related service was covered under the NJEIS;
 - the related service was listed in the child’s treatment plan (Individualized Family Service Plan); and
 - the State agency paid the claims within 12 months of the date of receipt.

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

RESULTS OF REVIEW

Early intervention services paid to providers by the State agency within 12 months of the date of service were claimed in accordance with Federal and State regulations. This report contains no recommendations.