



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

July 30, 2010

Report Number: A-02-08-01019

Ms. Jennifer Velez, Esq.
Commissioner
New Jersey Department of Human Services
222 South Warren Street
P.O. Box 700
Trenton, NJ 08625-0700

Dear Ms. Velez:

Enclosed is the U.S. Department of Health & 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 on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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 do not hesitate to call me, or contact John Madigan, Audit Manager, at (518) 437-9390, extension 224, or through email at John.Madigan@oig.hhs.gov. Please refer to report number A-02-08-01019 in all correspondence.

Sincerely,

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

Enclosure

Direct Reply to 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, IL 60601

Department of Health & 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

July 2010
A-02-08-01019

Office of Inspector General

<http://oig.hhs.gov>

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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 State's EPSDT program is administered by the Department of Health and Senior Services. The mission of the program 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 \$11,212,736 (\$5,606,368 Federal share) for reimbursement of early intervention services paid to providers subsequent to 1 year 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 claimed as a result of the contract.

OBJECTIVE

Our objective was to determine whether the State agency's claims for Federal Medicaid reimbursement for early intervention services paid to providers subsequent to 1 year from the date of service and submitted as a result of its contract with Covansys complied with Federal and State requirements.

SUMMARY OF RESULTS

The State agency's claims for Federal Medicaid reimbursement for early intervention services paid to providers subsequent to 1 year from the date of service and submitted as a result of its contract with Covansys did not always comply with Federal and State regulations. Of the 100 claims in our random sample, 94 complied with Federal and State requirements, but 6 did not. Of the six noncompliant claims, two claims contained services that were not provided or

supported, and four claims were not timely submitted. These deficiencies occurred because the State did not effectively monitor the early intervention program for compliance with certain Federal and State requirements.

Based on our sample results, we estimate that the State agency improperly claimed \$108,667 to the Medicaid program during our audit period July 1, 2005, through June 30, 2007.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$108,667 to the Federal Government and
- improve its monitoring of the early intervention program to ensure compliance with Federal and State requirements.

STATE AGENCY COMMENTS

In its comments on our draft report, the State agency generally agreed with our findings and recommendation to improve its early intervention program monitoring. However, the State agency disagreed with the portion of our recommended refund related to four sample claims submitted more than 12 months from the date of service because, according to the State agency, the corresponding providers offered sufficient justification to support a State agency waiver of the 12-month requirement. The State agency also indicated that it had previously voided one sample claim that contained services that were not provided or supported and refunded the Federal reimbursement. Finally, the State agency provided additional documentation for another claim that contained services that were not provided or supported. The State agency's comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that all claims submitted more than 12 months from the date of service are ineligible for Federal reimbursement without CMS approval. Therefore, these claims are unallowable. After reviewing the information and additional documentation provided by the State agency, we revised our findings and modified our statistical estimates accordingly.

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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 State's EPSDT program is administered by Department of Health and Senior Services. The mission of the program 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 \$11,212,736 (\$5,606,368 Federal share) for reimbursement of early intervention services paid to providers subsequent to 1 year from the date

¹ This 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.

of service for the period July 1, 2005, through June 30, 2007.² The State agency paid Covansys a contingency fee of 1.55 percent of funds claimed as a result of the contract.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency's claims for Federal Medicaid reimbursement for early intervention services paid to providers subsequent to 1 year from the date of service and submitted as a result of its contract with Covansys complied with Federal and State requirements.

Scope

Our audit covered early intervention services totaling \$11,212,736 (\$5,606,368 Federal share) that were claimed for Federal reimbursement 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)³ 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;

² On January 13, 2010, we issued a report entitled *Review of Early Intervention Services Costs Claimed by New Jersey to the Medicaid Program* (A-02-07-01053), which focused on early intervention services paid to providers within 1 year from the date of service and submitted for Federal reimbursement as a result of the State agency's contingency fee contract with Covansys.

³ This 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.

- eliminated from the database provider claims submitted to the State agency 1 year or earlier from the date of service;⁴
- identified a sampling frame of 39,576 paid early intervention services claims, totaling \$11,212,736 (\$5,606,368 Federal share);
- selected a simple random sample of 100 claims from the sampling frame of 39,576; 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 1 year of the date of receipt.
- estimated the dollar impact of the unallowable Federal Medicaid reimbursement paid in the population of 39,576 claims.

Appendix A contains the details of our sample design and methodology. Appendix B contains the details of our sample results and estimates.

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

FINDINGS AND RECOMMENDATIONS

The State agency’s claims for Federal Medicaid reimbursement for early intervention services paid to providers subsequent to 1 year from the date of service and submitted as a result of its contingency fee contract with Covansys did not always comply with Federal and State requirements. Of the 100 claims in our random sample, 94 complied with Federal and State requirements, but 6 did not. Of the 6 noncompliant claims, 2 claims contained services that were not provided or supported, and 4 claims were not timely submitted. These deficiencies occurred because the State did not effectively monitor the early intervention program for compliance with certain Federal and State requirements.

Based on our sample results, we estimate that the State improperly claimed \$108,667 to the Medicaid program during our audit period July 1, 2005, through June 30, 2007.

⁴ We reviewed these claims as part of our prior report.

SERVICES NOT PROVIDED OR NOT SUPPORTED

Pursuant to section 1902(a)(27) of the Act, States claiming Federal Medicaid funding must document services provided. In addition, pursuant to 42 CFR § 455.1(a)(2), States are required to have a method for verifying whether services reimbursed by Medicaid were actually furnished. For 2 of the 100 claims in our sample, the State agency claimed Federal reimbursement for services that were not provided or not supported.

CLAIMS NOT TIMELY SUBMITTED

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. For 4 of the 100 claims in our sample, the State agency claimed Federal reimbursement for services for which the provider did not submit a claim to the State agency within 1 year from the date of service.⁵

RECOMMENDATIONS

We recommend that the State agency:

- refund \$108,667 to the Federal Government and
- improve its monitoring of the early intervention program to ensure compliance with Federal and State requirements.

STATE AGENCY COMMENTS

In its comments on our draft report, the State agency generally agreed with our findings and recommendation to improve its early intervention program monitoring. However, the State agency disagreed with the portion of our recommended refund related to four sample claims submitted more than 12 months from the date of service because, according to the State agency, the corresponding providers offered sufficient justification to support a State agency waiver of the 12-month requirement. The State agency also indicated that it had previously voided one sample claim that contained services that were not provided or supported and refunded the Federal reimbursement. Finally, the State agency provided additional documentation for another claim that contained services that were not provided or supported. The State agency's comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that all claims submitted more than 12 months from the date of service are ineligible for Federal reimbursement without CMS approval. Therefore, these claims are unallowable. After reviewing the information and additional documentation provided by the State agency, we revised our findings and modified our statistical estimates accordingly.

⁵ The sample claims were submitted to the State agency for payment from 405 to 481 days after the date of service.

APPENDIXES

APPENDIX A: SAMPLE DESIGN AND METHODOLOGY

POPULATION

The population consisted of all New Jersey Medicaid early intervention services (EIS) claims paid subsequent to a year after the service date and submitted as a result of the State agency's contract with Covansys Corporation (Covansys) during the period July 1, 2005, through June 30, 2007.

SAMPLING FRAME

The sampling frame was an Excel spreadsheet containing 39,576 claims paid subsequent to 1 year after the service date, totaling \$11,212,736 (\$5,606,368 Federal share) for EIS services submitted as a result of the State agency's contract with Covansys during the period July 1, 2005, through June 30, 2007. The data was supplied by the State and compiled by Covansys.

SAMPLE UNIT

The sampling unit was an individual EIS claim paid subsequent to 1 year after the service date and submitted for Federal reimbursement as a result of the State agency's contract with Covansys.

SAMPLE DESIGN

We used a simple random sample to evaluate the population of EIS claims.

SAMPLE SIZE

We selected a sample of 100 claims.

SOURCE OF THE RANDOM NUMBERS

We used the Office of Audit Services' statistical software, RAT-STATS, to generate the random numbers.

METHOD OF SELECTING SAMPLE ITEMS

We sequentially numbered the 39,576 claims. After generating 100 random numbers, we selected the corresponding frame items. We created a list of 100 sample items.

ESTIMATION METHODOLOGY

We used RAT-STATS to calculate our estimates. We used the lower limit at the 90-percent confidence level to estimate the overpayment associated with the unallowable claims.

APPENDIX B: SAMPLE RESULTS AND ESTIMATES

Sample Details and Results

Claims in Frame	Value of Frame (Federal Share)	Sample Size	Value of Sample (Federal Share)	Unallowable Claims	Value of Unallowable Claims (Federal Share)
39,576	\$5,606,368	100	\$14,298	6	\$817

Estimated Overpayment Associated with the Unallowable Claims
(Limits Calculated for a 90-Percent Confidence Interval)

Point Estimate	\$323,330
Lower Limit	\$108,667
Upper Limit	\$537,993

APPENDIX C: STATE AGENCY COMMENTS



CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

State of New Jersey
DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES
PO Box 712
TRENTON, NJ 08625-0712

June 8, 2010

JENNIFER VELEZ
Commissioner

JOHN R. GUHL
Director

James P. Edert
Regional Inspector General for Audit Services
Office of the Inspector General
Office of Audit Services
Region II, 26 Federal Plaza
New York, New York 10278

Re: A-02-08-01019

Dear Mr. Edert:

This is in response to your letter of April 9, 2010 to Commissioner Velez concerning the U.S. Department of Health and Human Services, Office of the Inspector General (OIG) draft report entitled "Review of Early Intervention Service Costs Claimed by New Jersey to the Medicaid Program". Your letter provides an opportunity to comment on the draft report.

The objective of the review was to determine whether the State agency's claims for Federal Medicaid reimbursement for early intervention services paid to providers subsequent to 1 year from date of service and submitted as a result of its contract with Convansys complied with Federal and State requirements. The findings, recommendations and the responses of the Division of Medical Assistance and Health Services (DMAHS) are provided below:

Finding:

Pursuant to section 1902(a)(27) of the Social Security Act, States claiming Federal Medicaid funding must document services provided. In addition, pursuant to 42 CFR 455.1(a)(2), States are required to have a method for verifying whether services reimbursed by Medicaid were actually furnished. For 4 of the 100 claims sampled, the State agency claimed Federal reimbursement for services that were not provided or not supported.

Response:

DMAHS does not agree with this finding for two of the sample claims cited. Based on the available information, one of the cited claims was previously adjusted and the Federal Medicaid reimbursement returned. Documentation has been collected to support the provision of services for the other claim.

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June 8, 2010
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One claim cited in this finding was included in a larger review conducted by the State. This review identified a data processing shortcoming that was corrected effective June 1, 2006. Subsequent to the implementation of the data processing revision, all incorrect claims processed previously were voided. Consequently, the Federal Medicaid reimbursement for these claims has been returned.

A review of another claim cited in this finding indicates there was some confusion related to the date of service shown on that claim. The State has provided documentation of the delivery of the service to the eligible beneficiary. This documentation shows that the service was provided within days of the date recorded on the State's claim files. Additionally, the State has explained the use of the later service date to reflect the start date of the Individual Family Service Plan (IFSP) to prevent duplicate payments for services.

Based on the information provided above, DMAHS requests that the review report be revised to remove these two claims from the finding.

Finding:

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. For 4 of the 100 claims sampled, the State agency claimed Federal reimbursement for services for which the provider did not submit a claim to the State agency within 1 year from the date of service.

Response:

DMAHS concurs with this finding. The claims sampled were submitted more than 12 months after the date of service. However, the Division does not believe this is adequate support for the return of the Federal Medicaid funding.

The applicable regulation at 42 CFR 447.45(c) requires that the Medicaid State plan must provide that the requirements of paragraphs (d), (e)(2), (f) and (g) of this section are met and section (d) states the Medicaid agency must require providers to submit all claims no later than 12 months from the date of service.

In accordance with these regulations, the New Jersey Medicaid State Plan includes a requirement for the submission of claims no later than 12 months from the date of service. Likewise, DMAHS procedures specify that providers must submit claims within 12 months from the date of service. Therefore, it appears the State is in compliance with these regulations for the contents of the Medicaid State Plan and the requirements imposed on service providers.

A review of the available information in this case indicates the provider offered sufficient justification for the Division to support a waiver of this specific requirement. Further,

James P. Edert
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these payments reflect provider reimbursements for allowable services rendered by approved providers to eligible beneficiaries. Consequently, the Division believes these payments and the subsequent Federal Medicaid funding were appropriate. The disallowance of Federal Medicaid funding for these claims for the reason cited does not seem appropriate. Alternatively, the Division believes this Federal Medicaid funding would be subject to the requirements of 42 CFR 430.35. These regulations provide that the Centers for Medicaid and Medicare Services (CMS) may withhold payments to the State after finding a lack of compliance with the approved Medicaid State Plan provisions.

Recommendation:

The reviewer recommends that the State Agency refund \$197,347 to the Federal Government and improve its monitoring of the early intervention program to ensure compliance with the Federal and State requirements.

Response:

Based on the information provided above, the Division requests the recommendations in the draft report be revised. The amount recommended to be refunded should be recalculated. Portions of the amount cited do not appear to be subject to recovery or have already been refunded.

Based on the information provided in this report, the State will review the operations of the early intervention program and implement any needed improvements in its monitoring procedures.

If you have any questions or require additional information, please contact me or Richard Hurd at 609-588-2550.

Sincerely,



John R. Guhl
Director

JRG:L

c: Jennifer Velez
Richard Hurd