

Report in Brief

Date: November 2017

Report No. A-02-15-01010

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

A prior OIG review of New Jersey's payment rates for Medicaid school-based services found that the State calculated its rates using unallowable costs.

Federal law requires schools to provide special education and related services for children with disabilities. Schools are required to perform evaluations of children to determine whether they are entitled to services. Medicaid covers only those portions of evaluations that are medically necessary. New Jersey claims Medicaid reimbursement for school-based health services through its Special Education Medicaid Initiative (SEMI).

To develop its SEMI payment rates and submit Federal Medicaid claims on behalf of schools, New Jersey contracted with Public Consulting Group (PCG). Using a complex methodology, PCG developed rates for two types of Medicaid school-based services: one for rehabilitative services (e.g., speech therapy) and one for evaluation services.

Our objective was to determine whether New Jersey's payment rates for Medicaid school-based health services met Federal requirements.

How OIG Did This Review

We reviewed documents prepared by PCG to develop the State's SEMI payment rates.

New Jersey Claimed Hundreds of Millions in Unallowable or Unsupported Medicaid School-Based Reimbursement

What OIG Found

New Jersey did not follow Federal regulations and Centers for Medicare & Medicaid Services (CMS) guidance when it developed its payment rates for Medicaid school-based services and, as a result, claimed \$300.5 million in unallowable costs. New Jersey claimed an additional \$306.2 million in reimbursement using payment rates developed with unsupported costs.

Among our findings, we determined that (1) PCG improperly altered school employees' responses to timestudies to indicate that their activities were directly related to providing Medicaid services when the responses indicated the activities were unrelated; (2) New Jersey improperly incorporated into its payment rates more than \$400 million owed to the school employees' pension fund despite not having made scheduled payments to the fund in nearly 20 years; and (3) salaries of some employees who did not provide health-related services were incorporated into the payment rates. In addition, New Jersey did not maintain documentation related to the timestudies, which it used to identify the percentage of time personnel provided particular services.

What OIG Recommends and New Jersey Comments

We recommend that New Jersey refund \$300.5 million in Federal Medicaid reimbursement claimed based on payment rates that incorporated unallowable costs, work with CMS to determine the allowable amount of the remaining \$306.2 million claimed for Federal Medicaid reimbursement, and revise its payment rates so they comply with Federal requirements.

New Jersey disagreed with our findings and recommendations. New Jersey also submitted a memorandum from PCG asserting that its methodology for setting rates was reasonable, appropriate, and in compliance with the law.

After reviewing New Jersey's comments and the PCG memorandum, we maintain our findings and recommendations are valid. Neither New Jersey nor PCG provided additional support for how the payment rates were calculated.