

Report in Brief

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



Why OIG Did This Audit

As part of its oversight activities, the Office of Inspector General (OIG) is conducting a series of audits of Medicaid school-based costs claimed by States that used contingency fee contractors. In New Jersey, a prior OIG audit found that a contingency fee contractor made incorrect or unsupported changes to random moment timestudies used to calculate payment rates for Medicaid school-based health services. Because the contractor used similar timestudies to calculate Medicaid school-based *administrative* costs, we initiated this audit.

The objective of our audit was to determine whether New Jersey's use of random moment sampling in claiming Medicaid school-based administrative costs met Federal requirements.

How OIG Did This Audit

Our audit covered \$63.8 million in Federal Medicaid school-based administrative costs claimed by New Jersey for the period October 2011 through June 2016. Specifically, we reviewed New Jersey's random moment sampling methodology and a statistical sample that included 227 activity moments.

New Jersey Improperly Claimed Tens of Millions for Medicaid School-Based Administrative Costs Based on Random Moment Sampling That Did Not Meet Federal Requirements

What OIG Found

The random moment sampling methodology used by New Jersey to claim Medicaid school-based administrative costs did not meet Federal requirements. Specifically, it did not comply with statistical sampling requirements and was not adequately supported. Also, the methodology did not comply with New Jersey's approved cost allocation plan. In addition, New Jersey's coding of what school employees were doing during random moments was mostly incorrect or unsupported.

The random moment sampling methodology used by New Jersey did not comply with Federal requirements because New Jersey disregarded CMS guidance and assurances it made to CMS. Therefore, we determined that New Jersey claimed \$63.8 million in unallowable Federal Medicaid reimbursement.

What OIG Recommends and New Jersey Comments

We recommend that New Jersey refund \$63.8 million in Federal Medicaid payments and revise its random moment sampling methodology to comply with Federal requirements, its implementation plan, CMS guidance, and assurances it made to CMS.

In written comments on our draft report, New Jersey did not concur with our findings and described steps it has taken to modify its data system. New Jersey asserted that it has worked in good faith with CMS to develop a revised random moment sampling methodology to claim school-based Medicaid costs in compliance with Federal requirements. It also submitted a memorandum from its contractor providing a detailed explanation of how New Jersey operated under the proposed implementation plan while waiting for CMS to approve that plan. New Jersey also informed us that CMS approved its implementation plan.

After reviewing New Jersey's comments and the contractor's memorandum, we reclassified two sampled activity moments that did not affect our recommended disallowance and clarified one sub-recommendation based on CMS's approval of the implementation plan. We maintain that our findings and recommendations, as revised, are valid. The approved implementation plan was effective October 1, 2016, which was after the end of our audit period.