Why OIG Did This Audit
As part of its oversight activities, OIG is conducting a series of audits of States that claim Medicaid school-based costs with the assistance of contractors. Prior OIG audits found that States claimed unallowable Federal funds because contractors improperly conducted random moment time studies (RMTSs).

The objective of this audit was to determine whether New York properly claimed Federal funds based on time studies and costs used for its Medicaid school-based health services certified public expenditures claiming methodology.

How OIG Did This Audit
Our audit covered $439 million in Federal Medicaid payments for school-based health services provided from October 1, 2011, through June 30, 2016.

New York claims certified public expenditures through a complex process developed with the assistance of a contractor. As part of the process, the contractor conducts quarterly RMTSs and uses ratios to calculate cost settlements. We reviewed a statistical sample of 298 random moments and reviewed the methods that New York used to allocate costs to Medicaid.

New York Improperly Claimed $439 Million In Medicaid Funds for Its School-Based Health Services Based on Certified Public Expenditures

What OIG Found
New York claimed unallowable Federal funds because it did not support that all random moments coded as health care were for Medicaid-eligible health services. New York also did not provide support that it did not double-claim for services when a student in one school district received services from another school district. In addition, New York improperly claimed excess costs for 1 year. Finally, New York did not follow Federal RMTS requirements and used an unsupported method to claim Medicaid costs.

New York and its contractor developed complex methods that were difficult or impossible to correctly implement and support with documentation. As a result, New York claimed estimated unallowable Federal funds totaling $98 million. In addition, New York claimed $32 million in Federal funds because it did not follow Federal RMTS requirements or document that CMS approved its allocation methodology, and $309 million in Federal funds using ratios that were not supported.

What OIG Recommends and New York State Department of Health Comments
We made several recommendations to New York, including that it refund $98 million in unallowable funds and support or refund the $32 million and the $309 million. We also made procedural recommendations to assist New York in preparing accurate, supportable claims.

In written comments on our draft report, New York generally disagreed with our findings and recommendations. Specifically, New York generally disagreed that sampled activity moments were unsupported. However, New York agreed to refund $1.2 million because it did not correctly offset certain costs and to include sufficient documentation to support these costs in future claims. New York also agreed that it claimed $19.6 million in error. New York did not agree that it claimed $32 million without CMS approval; however, it did not provide documentation of CMS’s approval. Finally, New York did not agree to refund $309 million claimed using ratios that cannot be supported; however, it agreed that documentation to support the ratios is not available.

After reviewing the State agency’s comments, we maintain that our findings and recommendations are valid. New York improperly claimed Federal funds for school-based health services through its certified public expenditures claiming methodology.

The full report can be found at https://oig.hhs.gov/oas/reports/region2/A21801019.asp.