

Report in Brief

Date: March 2022

Report No. A-02-20-01012

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



Why OIG Did This Audit

In July 2019, the Centers for Medicare & Medicaid Services (CMS) approved New Jersey's *Medicaid Administrative Claiming and Special Education Medicaid Initiative Cost Settlement Process Guide* (Process Guide). New Jersey has been using the methodology detailed in the Process Guide to claim Medicaid school-based costs since October 2011. In November 2019, OIG issued a report stating that the methodology did not meet Federal requirements. As of December 2021, New Jersey is seeking to use the Process Guide to claim additional Medicaid reimbursement for school-based costs for prior periods if CMS approves a related proposal by New Jersey to amend its Medicaid State plan. We initiated this audit because New Jersey has not corrected the deficiencies identified in our November 2019 report and seeks to use the Process Guide to claim additional funds for prior periods.

The objective of our audit was to determine whether New Jersey's CMS-approved Process Guide complied with Federal requirements.

How OIG Did This Audit

To achieve our objective, we reviewed New Jersey's Process Guide and CMS's letter approving the Process Guide. We also reviewed Federal requirements, CMS documents, and information provided by New Jersey.

New Jersey's Medicaid School-Based Cost Settlement Process Could Result in Claims That Do Not Meet Federal Requirements

What OIG Found

New Jersey's methodology for claiming Medicaid school-based costs, as described in the Process Guide, does not comply with Federal requirements. Specifically, the Process Guide's methodology for conducting random moment time studies (RMTSs) (1) does not meet Federal requirements for statistical sampling, (2) defines one Medicaid administrative activity code as including activities not necessary for the administration of the Medicaid State plan, and (3) does not ensure that RMTS responses and Medicaid cost allocation ratios are supported. In designing its Process Guide, New Jersey did not address deficiencies identified during our prior audit of its school-based program, follow CMS guidance, and ensure that its Medicaid cost allocation ratios could be supported. Therefore, if CMS does not work with New Jersey to address the deficiencies identified in this report, Medicaid claims submitted for reimbursement by New Jersey school districts will not meet Federal requirements and the risk of improper payments could increase by tens of millions of dollars per year.

What OIG Recommends

We recommend that CMS direct New Jersey to revise the Process Guide to ensure that New Jersey's methodology for claiming Medicaid school-based health care services costs complies with Federal requirements. The detailed recommendations are listed in the body of the report.

In written comments on our draft report, CMS concurred with our recommendations. CMS also indicated that it is in the process of developing updated guidance to ensure that time studies used by States to claim Medicaid Federal reimbursement for school-based administrative and health service programs are valid, reliable, and auditable.