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.