



March 22, 2001

REGION IV
Room 3T41
61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8909

CIN: A-04-00-02 160

Mr. Robert Sharpe
Acting Deputy Secretary for Medicaid
Agency for Health Care Administration
2727 Mahan Drive, Building 3
Tallahassee, Florida 32308

Dear Mr. Sharpe:

This final report provides you the results of our review of administrative costs claimed by the Florida Medicaid Agency for Health Care Administration (State agency) for school-based health services. The objective of our review was to determine if adequate controls were in place to ensure that the administrative costs claimed by the State agency for school-based health services were reasonable, allowable and adequately supported.

EXECUTIVE SUMMARY

The State agency developed a guide which offers some controls over the claiming of administrative costs. However, the administrative costs claimed by the State agency, as reported by the local school districts, still included unallowable costs, unsupported costs, and costs based on improper documentation. We found problems at the four school districts we visited, and believe similar problems could exist at the other school districts because of a lack of program oversight. We did not determine the financial effect of our findings, however, we believe our findings indicate that better controls are needed to provide assurance that costs claimed for Federal reimbursement are proper.

We found that the cost claims submitted by the school districts were provided to the State agency with minimal supporting documentation. Moreover, the State agency did not routinely conduct site reviews at the districts to determine if the costs claimed were proper. We are recommending that the State agency establish controls to more closely monitor the administrative costs claimed by the school districts, including performing more on-site reviews at the school districts.

In a written reply to our draft report, the State agency generally agreed with our findings and recommendations. The State indicated that it would undertake procedures to ensure compliance with federally approved guidelines. The State agency's comments to our draft report are included in their entirety as an appendix.

BACKGROUND

School-Based Health Services

School-based health services are intended for both children with special needs and for the routine preventive health care in the form of a school-based health clinic. School centered programs are often able to provide medical care efficiently and easily without extended absence from school. In Florida, the State agency, the Department of Education (DOE) and individual school districts share in the responsibility for promoting access to health care for students in the public school system, preventing costly or long term health care problems for at risk students, and coordinating students' health care needs with other providers. Many of the activities performed by school district staff meet the criteria for Medicaid administrative claiming. The primary purpose of the Medicaid School District Administrative Claiming (SDAC) program is to reimburse school districts for these activities.

Under the Medicaid program, the State agency is reimbursed for the administrative costs of providing eligible services, arranging for the services, and providing program outreach, among other efforts. In Florida, the local school districts provide school-based health services and report their costs to the State agency. The school districts' costs are reported as the State's share of Medicaid matching costs.

The Health Care Financing Administration (HCFA) is responsible for providing the State agencies with any technical assistance required during the administrative claiming process. The HCFA has issued "Program Issuance Transmittal Notices" to the Medicaid agencies disclosing what is necessary before a State agency can provide reimbursement to school districts for administrative claiming. The HCFA requires the Medicaid Agencies to submit an implementation plan for review and approval before Federal Financial Participation (FFP) becomes available.

Administrative Claiming

The Social Security Act permits payment of FFP for administrative claims for the proper and efficient administration of the State Plan. School districts perform activities that fall under the realm of administrative claiming, and can be reimbursed for these efforts. These activities include, outreach, Medicaid eligibility determinations, third party liability activities, utilization review, and prior authorization for Medicaid services. If the activity in question is performed in support of the eligibility determination process, or in support of any service covered under the State Plan, the activities necessary to administer such functions may be eligible for FFP. However, an activity unrelated to Medicaid is not eligible.

Reimbursement is obtained by determining the amount of time school district staff spends performing Medicaid administrative activities. The amount of time spent by school district staff on Medicaid administrative activities is captured through the use of time samples. The results of the time samples are then used in a series of calculations to determine the percentage of school

district costs that can be claimed under SDAC. In order to receive FFP for Medicaid-covered services the school district files a claim for reimbursement with the State Medicaid Agency. The State agency then reports the costs to HCFA to obtain Federal reimbursement.

State Agency's Role

The State agency developed a guide entitled "Medicaid School District Administrative Claiming Guide," which contained the policies and procedures that the school districts followed in order to submit administrative claims to Medicaid for reimbursement, as well as audit requirements.

The State agency serves as the liaison for the school districts in the administrative claiming process, but has limited resources. Only one employee is dedicated to the financial side of the program, and that employee approves all invoices submitted under the SDAC program.

The State agency's responsibilities include but are not limited to:

- ▶ reviewing school district administrative claims for Medicaid reimbursement on a quarterly basis and reimbursing the County School District for administrative claiming that are allowed under HCFA's policies and procedures for the program.
- ▶ periodically monitoring the County School District for compliance with record keeping requirements for reporting reimbursable activities, capturing time, and the sampling process and results.
- ▶ developing procedures for recoupment from the County School District, if warranted by the State agency or HCFA monitoring.

School District's Role

Each school district that decides to participate in SDAC must sign an administrative claiming agreement. The school districts' responsibilities include:

- ▶ ensuring their time accounting system complies with the requirements contained in the Office of Management and Budget (OMB) Circular A-87 and 45 Code of Federal Regulations.
- ▶ recoupment of funds due to an audit exception, deferral or denial deemed appropriate by HCFA or the State agency even after withdrawal from the program.
- ▶ submitting claims to the State agency for administrative activities on a quarterly basis, accompanied by a State agency certification of funds form indicating that sufficient funds were available to support the non-Federal share of the cost of each claim.

- ▶ maintaining and being able to produce within specified time frames requested records and material for HCFA or the State agency audits.

Consultant's Role

There are two dominant consulting groups in the State of Florida offering support to school districts for obtaining administrative claiming funds. Many Florida school districts contracted with consultant groups to provide the billing for Medicaid administrative outreach services. The consultants provide the school district employees with training on how to report time spent on work activities, some of which are Medicaid related, prepare the invoices, and submit the invoices to the State agency for reimbursement.

<p style="text-align: center;">OBJECTIVE, SCOPE AND METHODOLOGY</p>
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The objective of our review was to determine if the administrative cost claimed by the State of Florida for school-based health services were reasonable, allowable and adequately supported in accordance with the terms of the State Medicaid contract and applicable Federal regulations.

To accomplish our objective we conducted site reviews at the Florida Medicaid agency and at four school districts in the state. We also met with HCFA Region IV Medicaid officials and obtained an overview of the program, criteria established by HCFA, and an assessment of reporting controls.

At the State agency we met with program officials responsible for administrative cost claims. We discussed their roles and procedures, and reviewed their records. Our internal control review was limited to obtaining an understanding of the State agency's administrative claim processing system and their involvement in the prepayment and postpayment reviews of claims.

Our review included administrative costs claimed during the 12 month period ended June 30, 1999. During this period, the State agency paid 33 school districts about \$36 million for administrative costs applicable to providing school-based health services. Using State agency records, we judgmentally selected four school districts for reviews. The four districts we selected for review received about \$13.4 million of this total.

At the school districts we met with school district personnel and outside consultants hired by the districts who were responsible for administering the program. We discussed procedures followed and documentation maintained to support the administrative cost claims. We determined the role of the consultants in each district, and obtained an understanding of the sampling methodologies they used in determining the costs allocated to Medicaid.

Our field work was performed at the HCFA Regional Office in Atlanta, Georgia, the State Medicaid agency in Tallahassee, Florida, and the school districts of Leon, Miami-Dade, Duval

and Orange counties. Our review was conducted in accordance with generally accepted government auditing standards.

RESULTS

The administrative costs claimed by the Florida Medicaid agency, as reported by the local school districts, included unallowable costs, unsupported costs, and costs based on improper documentation. We found problems at the four school districts we visited, and believe similar problems could exist at the other school districts because of a lack of program oversight. We did not determine the financial effect of our findings. However, we believe our findings indicate that better controls at the local levels are warranted to provide assurance that costs claimed by the State agency for Federal reimbursement are reasonable and allowable.

We found that the cost claims submitted by the school districts were provided to the State agency with minimal supporting documentation. Moreover, the State agency did not routinely conduct site reviews at the districts to determine if the costs claimed were proper. We are recommending that the State establish controls to more closely monitor the administrative costs claimed by the school districts, including performing more on-site reviews at the school districts.

At the exit conference we were informed that efforts are being made to improve the program at the school districts. The DOE has funded a project to develop a program to allow school districts the option to participate in administrative claiming without the use of consultants. The program is expected to be ready during the Summer of 2001. Staff from the Medicaid agency and the DOE are participating in work groups with some school districts related to sampling, cost allocation, training, and claim generation. As school districts opt to use this program for administrative claiming, the Medicaid agency and DOE will work closely with each school district to assure compliance with Medicaid program requirements.

The following sections provide more details on the results of our review.

Program Oversight Needs Improvement

Under the current arrangements, there is an absence of monitoring at the State agency and at the school districts to ensure that the costs claimed for reimbursement are in accordance with Medicaid guidelines. This arrangement appears to be self serving for the State and for the school districts, and the only party at risk is the Federal Government.

For many of the school districts in the state, we found that the program for claiming administrative costs has been placed in the hands of outside consultants. At the four districts we visited, we found that the school district administrators were relatively unaware of the procedures for determining and reporting administrative costs. The school districts relied almost entirely on the consultants for determining the cost and reporting to the State agency.

During the period of our review, the consultants were paid on a percentage basis. The greater the amount of administrative costs claimed, the greater the amount of the consultant's fees. State agency officials informed us that each consultant group prepared their own claim, using their own format. We found little consistency among the claim reporting procedures.

It appeared the school districts saw this program as an opportunity to receive additional funding, and that was the limit of their concern. Although the school districts were under contract with the State agency and ultimately responsible for the administrative claiming program, we found that the consultants controlled the program. We had to speak with the consultants when we found discrepancies with the costs claimed by the districts. We believe the school districts should have shown more responsibility in ensuring the program was properly administered.

The State agency utilizes the costs claimed by the school districts as state matching to obtain additional Federal funds. Since the districts are reporting the expenditure of local education funds and not Medicaid agency funds, there is an inherent lack of concern by the State Medicaid agency as to how the funds are spent. This is evident by the limited monitoring reviews the State agency has performed. The State agency has procedures in place to monitor the school districts' performance, however, only one on-site review had been conducted at the time of our review.

The State agency's Medicaid SDAC Guide states, "Ongoing evaluation of the SDAC program is a Federal requirement. The State agency Medicaid area representatives will have the lead in monitoring and quality control functions.. ." The State agency needs to improve its efforts to comply with this policy.

The following sections provide more details on the discrepancies we noted at the school districts that would go undetected, if not for on-site reviews.

Unallowable Costs

Some of the costs included in the school district cost pools, which were in part allocated to Medicaid, may not be allowable for Federal reimbursement. For example,

- ▶ The school districts included employees in the time study and cost pools whose job classifications revealed that they did not have an active role in the Medicaid school-based health services program. Thus, their salaries should have been excluded from the cost pool used for allocating costs to Medicaid. We did not try to quantify the salary costs associated with these employees in each district. We mainly reviewed the types of positions and job descriptions of employees included in the cost pool. However, in one of the school districts reviewed, an estimated \$7 million, representing the costs of occupational specialists, were included in the pool of costs allocated to Medicaid. We were provided documentation indicating that these occupational specialists duties involved career counseling issues. We were not provided any support indicating these employees were involved in the Medicaid program. Thus, it appears these costs should have been excluded from the pool.

The State agency's Medicaid SDAC Guide states that only certain school district staff may be included in the SDAC time studies. In general, only those school district staff spending any time on the Medicaid reimbursable SDAC activities should be included in the SDAC time studies.

- ▶ One school district overstated the amount of provider benefits claimed, because it used outdated budgeted information in its calculation. As a result, provider benefits were overstated by \$1,691,898.

The OMB Circular A-87 states, "to be allowable under Federal awards, costs must be adequately documented."

- ▶ One school district did not offset costs related to Early Identification Personnel by the fees collected from local resources for the same personnel. This resulted in \$1,445,858 of overstated Early Identification Personnel costs that should have been offset.

The OMB Circular A-87 states that costs used to meet cost sharing or matching requirements should be net of all applicable credits.

The State agency's Medicaid SDAC Guide states . . . "before Federal funds may be claimed under the SDAC program: . . . insurance and other fees collected from non-governmental sources must be offset."

- ▶ At another school district, \$2,088 of contracted services was misclassified in the administrative claim as travel expenses; and \$352 of unallowable travel expenses was claimed for travel that was not related to the Medicaid school-based health services program.

The OMB Circular A-87 states in determining reasonableness of costs consideration should be given to whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award. Also, a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

- ▶ At another school district, we attempted to trace costs claimed to the district's official records. For one fiscal reporting quarter, neither the school district nor the consultant group could provide a reconciliation of the administrative costs claimed for purchased services. Thus, the costs were not verifiable to the official accounting records.

The OMB Circular A-87 states, "to be allowable under Federal awards, costs must be adequately documented."

Improperly Completed Time Studies

The time studies represent an important record in supporting how much time employees spend on Medicaid activities, and determining what share of costs are allocated to Medicaid. The time study participants are required to complete these time study forms as a basis for allocating costs to Medicaid. We found that many of the participants at each school district demonstrated a lack of understanding regarding activity codes and the sampling process, both critical components of the time studies. Consequently, the time studies were not always properly completed which results in questionable cost allocations to Medicaid.

Moreover, the financial impact of the improperly completed time studies provided by some school districts was magnified under the current method for allocating costs to Medicaid. A group of 26 school districts have banded together to form a consortium under the control of a consulting firm. The consulting firm treats this group as a whole in allocating costs to Medicaid. The sample results of each district are combined to arrive at one allocation percentage. This percentage is used by all the districts to allocate costs to Medicaid. If one district's time studies are not accurate, the inaccuracy impacts all 26 districts. If one district overstates the percentage of time spent on Medicaid, then the costs allocated to Medicaid are overstated in all 26 districts. This arrangement further highlights the need for closer review of the procedures utilized at the district level.

The types of discrepancies we noted at the districts are noted below:

- ▶ The majority of the participants we interviewed did not know what types of activities qualified for which activity codes. The participants offered examples to demonstrate their understanding of the activity codes, however, these were usually incorrect. The reliability of the sample results depends on the proper use of these codes.

The State agency's Medicaid SDAC Guide states that "school district staff. . . who provide Medicaid administrative claiming activities are required to be knowledgeable of activities approved by Medicaid as eligible for Medicaid reimbursement under the SDAC program."

- ▶ Time study participants did not fully understand the significance of the Skilled Professional Medical Personnel (SPMP) classification. In some instances, participants that did not qualify as SPMP personnel coded their time sheets as if they were, and qualified SPMPs did not understand when the coding should apply. For example, in one school district, social workers were classifying themselves as SPMP, however, they did not have the credentials to qualify. These workers were in essence, stating that they had a Masters of Social Work degree, as required, when in fact, the workers had a 4 year bachelor's degree. By these workers claiming to be SPMP qualified, the school district received excess Federal reimbursement.

The State agency's Medicaid SDAC Guide states that in order to qualify for enhanced SPMP funding, master's level social workers must have a clinically oriented, patient care type of degree. Not only is a master's degree required, but it must focus on patient care.

- ▶ Time study participants did not understand how to accurately complete the time study forms. Common errors made by participants included coding more than one activity for a specified time slot and leaving time slots blank. We also noted that some forms were completed prior to the random sample moment, as well as, after the sample moment, and we noted that some forms were changed by the consultant group based on comments included on the forms by the employees.

The State agency's SDAC Guide states that in order to effectively administer the program, staff must be familiar with the sampling methodology and understand how to complete the approved sampling instruments utilized to collect claiming data.

In accordance with the State agency's Medicaid SDAC Guide, the local Medicaid school service representatives should be notified of training sessions in advance by the school district so they can attend. This is to ensure that consistent, accurate information is being provided throughout the State. Training the school district personnel is a critical aspect of this program. We attended training sessions during the course of our review and did not find any local Medicaid representatives in attendance.

CONCLUSION AND RECOMMENDATIONS

Some of the costs being claimed by the school districts are not reasonable and allowable for reimbursement. However, the State agency does not have adequate controls in place to better hold the school districts responsible. The State agency has some guidelines in place, but they are not being enforced. We recognize that the State agency has limited resources, however, some monitoring is necessary to ensure that the costs claimed are proper. We recommend that the State agency establish controls to more closely monitor the school districts' program performance. This should include site reviews to ensure that program procedures are being followed and that the costs claimed are allowable.

State Agency Comments

In a written reply to our draft report, the State agency generally agreed with our findings and recommendations. Regarding program oversight, the State agency will undertake procedures to ensure more compliance with the federally approved guidelines.

The State agency intends to institute tighter measures to ensure only allowable costs are claimed for reimbursement, including desk reviews that request additional support. Additionally, the State will conduct four audits a year at the larger school districts.

The State agency recognizes that offsetting of third party income is a basic reimbursement policy, and is examining a mechanism for reporting credits.

Regarding the improper completion of time studies, the State agency will instruct the consultants to not change or "coach" a sampled participant in the selection of activities. Additionally, the State agency plans to address bachelor's level social work degree in the state Medicaid guide to avoid confusion in the area of SPMP funding.

Regarding our recommendation to conduct site reviews, the State agency believes that it will be very difficult to audit or perform site reviews for all fifty-nine school districts. However, the State plans to analyze area monitoring results in an effort to identify more effective training which will be offered to the school district personnel. Additionally, the State will instruct area staff to perform reviews on personnel included in the cost pools.

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To facilitate identification, please refer to Common Identification Number (CIN) A-04-00-02 160 in any correspondence related to this report.

Sincerely yours,



Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

APPENDIX



JEB BUSH, GOVERNOR

RUBEN J. KING-SHAW, JR., SECRETARY

February 12, 2001

Mr. Charles J. Curtis
Regional Inspector General for
Audit Services, Region TV
Department of Health and Human
Services
Room 3T41
61 Forsyth Street, S. W.
Atlanta, Georgia 30303-8909

RECEIVED
FEB 15 2001
OFFICE OF AUDIT SVCS.

RE: CIN A-04-00-02 160

Dear Mr. Curtis:

We appreciate the opportunity to review the **draft** report titled Review of Administrative Costs Claimed by the Florida Medicaid Agency for School-Based Health Services. The report was concise and well organized. We do have comments for your consideration, as detailed below.

Findings

The review indicated that claims submitted for payment included "...unallowable costs, unsupported costs, and costs based on improper documentation." Further, these conditions exist due to "lack of program oversight" and the belief that "... better controls at the local level are warranted.. ."

According to the review, more program oversight is needed due to:

- Costs should be claimed in accordance with state guidelines.
- Consultants were more informed than school district administrators for determining and reporting administrative costs.
 - a Additional funding for school districts is the school district's concern.
- Consultants paid on a contingency basis of federal reimbursement received.
- Consultants controlled the program.
- Inherent lack of concern on how the funds were spent.

Response

The state will undertake procedures to ensure more compliance with the federally approved guidelines.



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Regional Inspector General
For Audit Services, Region IV
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Findings

Provider benefits were overstated by \$1.69 1,898.

Response

Tighter measures to ensure only allowable costs for reimbursement purposes will be implemented with selected **desk** reviews that request additional work papers and site audits. This oversight has been corrected by reducing subsequent claims to that school district.

Findings

Early Identification personnel costs were not reduced by the receipt of local fees generated by these employees.

Response

The offsetting of third party income or other grant proceeds **from** the determination of costs of those people generating the proceeds is a basic reimbursement policy. We are examining the reporting of credits with the development of a reporting mechanism in the form of a schedule to be included with each invoice submitted.

Findings

The reviewers were unable to trace costs **from** district records.

Response

This specific circumstance is a result of the school district changing invoice preparers during the audit period. Unfortunately, there were no written procedures found for the extraction of *costs* to the reimbursement form. There were amended invoices submitted to the Agency using the current approved methodologies. These invoices substantially *increased allowable* costs. These amended claims were not processed.

Findings

Time studies were improperly completed.

Response

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Regional Inspector General
For Audit Services, Region IV
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Regardless of the means of sample-time study logs or the federally suggested random moment sample (RMS), improper selections can be made. Neither system is fool proof. The 26 county consortium does combine all employees of the member school districts to achieve an overall set of activity percentages to apply to each school district's unique costs. If one school district does not accurately indicate the proper activity for the time given, then the sample result is less than perfect. There were 10,587 available participants to be sampled for the April through June 2000 quarter. Of these, 1,124 were selected to be sampled. They were sampled at 1 j-minute intervals for a 5-day period. Given a 7.5 hour day, this creates over 168,000 data elements. The volume of these data elements due to a 99.9 percent confidence level minimizes one district's lack of perfection. As far as a sampled employee selecting more than one activity during the same time period, the program analyzes the data and defaults to the non-payment activity. If no activity was selected, then no reimbursement is calculated.

The RMS method can also be less than perfect in capturing an individual's activities. It would be unreasonable to expect a sampled worker to be working in their normal **manner** and stop and fill out a RMS sheet. However, these sheets must be filled out shortly after the moment and never changed once the participant has made a choice. We will instruct the **consultants to not** change or "coach" a sampled participant in the selection of activities. The most perfect way to conduct a RMS would be to have a school employee come in at the moment and record the activity a person is doing at that **time**. Unfortunately, limited school resources prohibit this.

Findings

Bachelor's level degree social workers were included as SPMP qualified in the time studies under review.

Response

The state Medicaid guide for the administrative claiming program does not require that social workers hold masters' level degrees for time study participation. It does address the Departmental Appeals Board ruling concerning the type of social work degree obtained because the ruling has the force of federal regulations. According to the Health Care Financing Administration, clinical degrees are acceptable if obtained as the result of a two-year or longer program. Administrative degrees are not acceptable. We will address bachelor's level social work degrees in the state Medicaid guide to avoid confusion in this area.

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Regional Inspector General
For Audit Services, Region IV
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Findings

Some of the costs being claimed by the school districts are not reasonable and allowable for reimbursement. The state agency should conduct site reviews to ensure that program procedures are being followed and that the costs claimed are allowable.

Response

There are fifty-nine counties submitting four quarterly reimbursement claims per year. It will be very difficult to audit or **perform** site reviews for these school districts for determination of program compliance.

We plan to analyze our area monitoring results to determine the extent of more effective training to the sampled participants. We have completed 58 quarters of monitoring as outlined in Chapter 8 of our guide. The interviewing of these sampled workers gives us an indication of their program expertise. If more training is called for, then we will require it. Area monitoring also is a check for the SPMP credentialing. Additionally, we will also instruct area staff to perform reviews on personnel included in the cost pools.

The inclusion of allowable, reasonable and supported costs will be facilitated by desk reviews coupled with site audits. We will schedule four audits a year at the larger, material school districts for this requirement.

Please advise us if you have any questions on the above or need additional information.

Sincerely,



Bob Sharpe
Acting Deputy Secretary for Medicaid

BS :jr/kc