



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

October 5, 2004

REGION V
OFFICE OF
INSPECTOR GENERAL

Report Number: A-05-04-00029

Ms. Janet Olszewski, Director
Michigan Department of Community Health
Lewis Cass Building
300 South Walnut Street
Lansing, Michigan 48913

Dear Ms. Olszewski:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General's report entitled "Audit of Medicaid Payments for Skilled Professional Medical Personnel Reimbursed at Enhanced Rates" for the period October 1, 2002 through September 30, 2003. A copy of this report will be forwarded to the action official noted below for his/her review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General reports issued to the department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to report number A-05-04-00029 in all correspondence.

Sincerely,

Paul Swanson
Regional Inspector General
for Audit Services

Enclosures - as stated

Direct Reply to HHS Action Official:
Associate Regional Administrator for Medicaid
Centers for Medicare & Medicaid Services, Region V
233 North Michigan Avenue, Suite 600
Chicago, IL 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF MEDICAID PAYMENTS FOR
SKILLED PROFESSIONAL MEDICAL
PERSONNEL REIMBURSED AT
ENHANCED RATES**

**OCTOBER 1, 2002 THROUGH
SEPTEMBER 30, 2003**

**MICHIGAN DEPARTMENT OF
COMMUNITY HEALTH**



**OCTOBER 2004
A-05-04-00029**

Office of Inspector General

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

The Social Security Act provides Federal reimbursement to States for administrative costs necessary to properly and efficiently administer their Medicaid State plans. In general, administrative costs are reimbursed, or matched, by the Federal Government at a rate of 50 percent.

Federal regulations provide an enhanced Medicaid matching rate of 75 percent for the compensation and training of skilled professional medical personnel and their supporting staff. Generally, in order for the enhanced matching rate to be available, skilled professional medical personnel must have completed a 2-year program leading to an academic degree or certificate in a medically related program and perform activities that require the use of their professional training and experience.

OBJECTIVE

The objective of the audit was to determine if the Michigan Department of Community Health (State agency) properly claimed Federal Medicaid funding at the enhanced rate for skilled professional medical personnel.

FINDINGS

The State agency improperly claimed the enhanced matching rate for five individuals classified as skilled professional medical personnel and received Medicaid overpayments in the amount of \$87,151. Enhanced rates were improperly claimed for an employee whose position did not require medical expertise, one clerical staff who did not work for skilled professional medical personnel staff, and three employees who did not possess the required professional training and experience. These costs were claimed because the State agency did not have procedures in place that ensured that only qualified individuals were claimed as skilled professional medical personnel.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$87,151 for the Federal share of unallowable Medicaid costs associated with the five individuals improperly claimed at the enhanced rate
- implement procedures to ensure that only qualified individuals are claimed as skilled professional medical personnel

STATE AGENCY'S RESPONSE

In a written response dated September 3, 2004, Michigan officials agreed with the recommendations and had initiated corrective actions. The response is summarized in the body of the report and is included in its entirety as Appendix A to the report.

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INTRODUCTION

BACKGROUND

The Social Security Act provides Federal reimbursement to States for administrative costs necessary to properly and efficiently administer their Medicaid State plans. In general, administrative costs are reimbursed, or matched, by the Federal Government at a rate of 50 percent.

Federal regulations provide an enhanced Medicaid matching rate of 75 percent for the compensation and training of skilled professional medical personnel and their supporting staff. Generally, in order for the enhanced matching rate to be available, skilled professional medical personnel must have completed a 2-year program leading to an academic degree or certificate in a medically related program and perform activities that require the use of their professional training and experience.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of the audit was to determine if the State agency properly claimed Federal Medicaid funding at the enhanced rate for skilled professional medical personnel.

Scope

We reviewed the State agency's claim for Federal matching funds for skilled professional medical personnel totaling \$1,595,113 for the period October 1, 2002 through September 30, 2003.

Our review was limited to determining whether the enhanced Federal matching funds claimed for skilled professional medical personnel were allowable. For costs that did not meet enhanced Federal matching requirements, we accepted the costs claimed at the Federal matching rate of 50 percent, unless they were otherwise unallowable. For costs that were specifically unallowable, we questioned the entire amount claimed.

We did not perform a detailed review of the State agency's internal controls. Our review of internal controls was limited to obtaining an understanding of the State agency's policies and procedures used to claim skilled professional medical personnel costs.

Methodology

To accomplish the audit objective, we:

- reviewed applicable Federal regulations and Centers for Medicare & Medicaid Services guidance
- reviewed State agency procedures for claiming skilled professional medical personnel costs
- obtained supporting documentation from the State agency pertaining to the relevant paid claims
- interviewed individuals claimed as skilled professional medical personnel

Fieldwork was performed at the Medicaid State agency from February through May 2004.

The audit was performed in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The State agency improperly claimed the enhanced matching rate for five individuals classified as skilled professional medical personnel and received Medicaid overpayments in the amount of \$87,151. Enhanced rates were improperly claimed for an employee whose position did not require medical expertise, one clerical staff who did not work for skilled professional medical personnel staff, and three employees who did not possess the required professional training and experience. These costs were claimed because the State agency did not have procedures in place that ensured only qualified individuals were claimed as skilled professional medical personnel.

FEDERAL REGULATIONS

Skilled professional medical personnel are defined in 42 CFR §432.2 as:

... physicians, dentists, nurses, and other specialized personnel who have professional education and training in the field of medical care or appropriate medical practice and who are in an employer-employee relationship with the Medicaid agency. It does not include other nonmedical health professionals such as public administrators, medical analysts, lobbyists, senior managers or administrators of public assistance programs or the Medicaid program.

Section 1903(a)(2) of the Social Security Act provides that States are entitled to an amount equal to 75 percent of sums expended for compensation or training of skilled professional medical personnel and staff supporting such personnel.

42 CFR 432.50(d) states that the rate of 75 percent Federal financial participation is available for skilled professional medical personnel and directly supporting staff if the following criteria are met:

- (i) the expenditures are directly related to the administration of the Medicaid program, and do not include expenditures for medical assistance.
- (ii) the skilled professional medical personnel have professional education and training in the field of medical care or appropriate medical practice. Professional education and training means the completion of a 2-year or longer program leading to an academic degree or certificate in a medically related profession. This is demonstrated by a medical license, certificate, or other document issued by a recognized National or State medical licensure or certifying organization or a degree in a medical field issued by a college or university certified by a professional organization.
- (iii) the skilled professional medical personnel are in positions that have duties and responsibilities that require those professional medical knowledge and skills.
- (iv) a State-documented employer-employee relationship exists between the Medicaid agency and the skilled professional medical personnel and directly supporting staff.
- (v) the directly supporting staff are secretarial, stenographic, and copying personnel and file and records clerks who provide clerical services that are directly necessary for the completion of the professional medical responsibilities.

UNALLOWABLE CLAIMS AT THE ENHANCED RATE

The State agency claimed Federal funds at the 75 percent enhanced matching rate, totaling \$1,595,113, for the salaries of 30 skilled professional medical personnel staff during the fiscal year ending September 30, 2003. After reviewing job descriptions and conducting interviews, it was determined that five employees were improperly classified as skilled professional medical personnel. This resulted in Medicaid overpayments to the State in the amount of \$87,151.

Medical Expertise not Required

One employee's position did not require their medical expertise. Although the employee possessed a medical license, the employee's position was not one that required that level of medical expertise in order to be performed effectively. According to the position description, the employee was responsible for the efficient and effective administration and operation of the Quality Improvement Section of the Long Term Care Health Plan. The position required a bachelor's degree (no major specified) and two years of professional experience. It also required knowledge of the long-term health care industry in the State. No license or certificate was required for this position. The salary for this employee totaled \$100,638.

Clerical Staff Duties not Directly Related

One clerical staff person with time claimed for enhanced rates was not providing support for or being directly supervised by skilled professional medical personnel. The clerical staff person

worked for the employee whose position did not require medical expertise, and therefore, did not qualify as skilled professional medical personnel. The salary for the clerical staff person was \$60,058.

Lack of Professional Training

Three employees did not possess the required professional training and experience to be claimed as skilled professional medical personnel. Although their job descriptions did not include a requirement for a medical license, Federal Regulations require skilled professional medical personnel to possess a medical license or a degree in a medical field in order to qualify for the enhanced rate. These three employees' salaries totaled \$187,908.

Effect and Cause of Unallowable Claims

The State agency paid a total of \$348,604 to five employees inappropriately claimed as skilled professional medical personnel. We are disallowing the 25% enhanced portion of the payment, resulting in Medicaid overpayments to the State in the amount of \$87,151.

The State agency did not have procedures in place that ensured only qualified individuals were claimed as skilled professional medical personnel.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$87,151 for the Federal share of unallowable Medicaid costs associated with the five individuals improperly claimed at the enhanced rate
- implement procedures to ensure that only qualified individuals are claimed as skilled professional medical personnel

STATE AGENCY'S RESPONSE

The State agency agreed with our recommendations. They have taken steps to improve their monitoring activities to ensure that only qualified individuals are claimed as skilled professional medical personnel. The State agency will also make an adjustment of \$87,151 on the next Federal quarterly claim.

The response is included in its entirety as Appendix A to the report.

Appendix



STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JANET OLSZEWSKI
DIRECTOR

September 3, 2004

Mr. Paul Swanson
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services
233 North Michigan Avenue
Chicago, Illinois 60601

Re: Report Number (A-05-04-00029)

Dear Mr. Swanson:

Enclosed is the Michigan Department of Community Health's response to the draft report entitled "Audit of Medicaid Payments for Skilled Professional Medical Personnel Reimbursed at Enhanced Rates" that covered the period October 1, 2002 through September 30, 2003.

We appreciate the opportunity to review and comment on the report before it is released. If you have any questions regarding this response, please refer them to Jim Hennessey at (517) 335-5323.

Sincerely,


Janet Olszewski
Director

JO:kk

Enclosure

cc: Michael Ezzo
Paul Reinhart
Nick Lyon
Dave McLaury
Jim Hennessey

**Audit of Payments for Skilled Professional Medical Personnel Reimbursed at
Enhanced Rates**

MDCH Response

Finding Title: Unallowable Claims at the Enhanced Rate

Recommendations:

We recommend the State Agency:

Refund \$87,151 for the Federal share of unallowable Medicaid costs associated with the five individuals improperly claimed at the enhanced rate.

Implement procedures to ensure that only qualified individuals are claimed as skilled professional medical personnel.

Response:

The MDCH agrees with the finding that the state was overpaid for five people who were misclassified as skilled professional medical staff and agrees with both recommendations. The adjustment to refund the federal share of the unallowable Medicaid costs associated with the five individuals will be processed on the next federal quarterly claim (approximately October 31, 2004 for the quarter ending September 30, 2004). MDCH has also taken steps to improve its monitoring activities to ensure that only qualified individuals are claimed as skilled professional medical personnel in the future.

ACKNOWLEDGMENTS

This report was prepared under the direction of Paul Swanson, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

Mike Barton, Audit Manager
Mitch Collier, Senior Auditor
Mano Hardies, Auditor