



Office of Audit Services  
Region VII  
601 East 12<sup>th</sup> Street, Room 284A  
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APR 04 2005

Report Number: A-07-03-00154

Mr. Scott Brunner  
Director of Medical Policy  
Department of Social and Rehabilitation Services  
915 SW Harrison Avenue, Room 651-South  
Topeka, Kansas 66612-1570

Dear Mr. Brunner:

Enclosed are two copies of the Department of Health and Human Services, Office of Inspector General (OIG) final report entitled "Medicaid School-Based Administrative Activities in Kansas." A copy of this report will be forwarded to the HHS action official noted on the following page for his review and any action necessary.

The action official will make final determination regarding actions taken on all matters in the report. We request that you respond to the 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.

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If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, ext. 225, or Christopher Bresette of my staff at (816) 426-3591, extension 228, or through email at [Chris.Bresette@oig.hhs.gov](mailto:Chris.Bresette@oig.hhs.gov). To facilitate identification, please refer to report number A-07-03-00154 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "James P. Aasmundstad".

James P. Aasmundstad  
Regional Inspector General  
for Audit Services

Enclosures – as stated

**Direct Reply to HHS Action Official:**

Thomas Lenz

Acting Regional Administrator, Region VII

Centers for Medicare & Medicaid Services

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601 East 12<sup>th</sup> Street

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**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**MEDICAID SCHOOL-BASED  
ADMINISTRATIVE ACTIVITIES  
IN KANSAS**



**APRIL 2005  
A-07-03-00154**

# *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 awarding agency will make final determination on these matters.



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Congress established the Medicaid program under Title XIX of the Social Security Act (the Act) to pay for medical assistance costs for persons with limited income and resources. Each State Medicaid program is administered in accordance with a State plan approved by the Centers for Medicare & Medicaid Services (CMS) to ensure compliance with Federal requirements. The Federal Government and States share the cost of the program. One of the programs, school-based health services, allows Medicaid recipients to receive medical services in a school setting. School districts perform administrative functions such as outreach, eligibility intake, information and referral, health service coordination and monitoring, and interagency coordination.

In Kansas, the Department of Social and Rehabilitation Services (Kansas) administers the Medicaid program. Kansas utilized CMS's "Medicaid School-Based Administrative Claiming Guide" (CMS Guide) to determine the administrative costs for school-based services. The CMS Guide provides instructions for calculating administrative costs through random moment time studies and cost reports. Kansas multiplied the percentage of time all school districts collectively spent performing Medicaid activities (from the time studies) by the amounts shown on the cost reports to determine reimbursements for each school district.

Kansas has received \$9.7 million (Federal share) in Medicaid reimbursements for administrative activities since the program began in fiscal year (FY) 2001. We reviewed reimbursements made for FY 2002, which included \$2.8 million (Federal share) for 156 school districts. We also reviewed documentation supporting approximately \$556,000 (Federal share) for four school districts.

### **OBJECTIVE**

The objective of our audit was to determine if Kansas used accurate time studies and cost reports to claim Medicaid administrative costs associated with school-based services for FY 2002 in accordance with Federal guidelines.

### **SUMMARY OF FINDINGS**

Kansas used inaccurate time studies and cost reports, and therefore did not claim Medicaid reimbursement for administrative costs associated with school-based services for FY 2002 in accordance with Federal regulations. The 4 school districts reviewed completed 773 of 1,937 time studies inaccurately, and 1 school district submitted inaccurate cost reports.

Kansas did not ensure that completed time study forms represented actual activities performed or that school districts submitted accurate and reliable cost reports.

As a result, Kansas received \$347,047 for administrative expenses that did not qualify for Medicaid reimbursement. The unallowable costs included \$293,182 because of time study errors and \$53,865 because of inaccurate cost reports submitted by one school district.

In addition, the \$2.8 million of Medicaid reimbursements made for FY 2002 may contain overpayments beyond the \$293,182. Because the school district that provided training to all school districts completed 62 percent of its time studies inaccurately, we believe the time studies for the remaining 152 school districts may have been completed inaccurately. Therefore, we were not assured that Kansas calculated the Federal reimbursement for the administrative costs correctly. Overpayments also may have occurred for similar reasons in the \$6.9 million of reimbursements made outside of our audit period.

## **RECOMMENDATIONS**

We recommend Kansas:

- ensure claims submitted for reimbursement are based on accurate time studies;
- ensure school districts submit accurate and reliable cost reports;
- refund \$347,047 (Federal share) that did not qualify for Medicaid reimbursement (\$293,182 for time studies and \$53,865 for cost reports); and
- review time studies completed by the 152 school districts that were not audited for FY 2002 and for all school districts for previous and subsequent years and refund any overpayments occurring because of inaccurate time studies.

## **AUDITEE'S COMMENTS**

Kansas did not agree that the study forms were completed inaccurately. However, Kansas did agree with our recommendation to ensure claims submitted for reimbursement are based on accurate time studies. It did not address the recommendations to refund overpayments and to perform time study reviews at the other school districts.

Kansas stated that it has revised the claims that were ineligible because of inaccurately completed cost reports and described steps it has initiated to increase its oversight to ensure the accuracy of the cost reports.

The auditee's response is included in its entirety as Appendix C.

## **OIG RESPONSE**

We disagree with Kansas and continue to believe that school districts completed the time studies inaccurately. However, we commend Kansas for its efforts to improve the school-based administrative claiming program by initiating additional monitoring procedures.

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## **INTRODUCTION**

### **BACKGROUND**

#### **Medicaid School-Based Program**

Congress established the Medicaid program under Title XIX of the Act to pay for medical assistance costs for persons with limited income and resources. Each State Medicaid program is administered in accordance with a State plan approved by CMS to ensure compliance with Federal requirements.

Congress amended section 1903(c) of the Act in 1988 to allow Medicaid coverage of health-related services provided to children under Part B of the Individuals with Disabilities Education Act. The school-based health program allows eligible children to receive health-related services, generally without having to leave school. The Act allows States to be reimbursed for the program's administration, which is performed by school districts. Administrative functions include outreach, eligibility intake, information and referral, health service coordination and monitoring, and interagency coordination.

The Federal Government and States share the cost of the program. The Federal share, or Federal financial participation (FFP), generally is 50 percent of allowable costs. However, before January 2003, the Federal share for skilled professional medical personnel (skilled professional) activities was 75 percent of allowable costs. To receive the enhanced rate, Medicaid required skilled professionals to perform activities requiring the use of their professional training and expertise.

#### **Kansas Medicaid School-Based Program**

In Kansas, the Department of Social and Rehabilitation Services administers the school-based health service program. Kansas contracted with MAXIMUS, Inc. to perform the primary functions of overseeing the administrative claiming program. Costs claimed for Federal reimbursement are subject to the requirements of Office of Management and Budget (OMB) Circular A-87. To comply with these provisions, Kansas utilized the CMS Guide, which was issued in draft in February 2000.

The CMS Guide provides instructions for calculating administrative costs through time studies and cost reports. Kansas multiplied the percentage of time all school districts collectively spent performing Medicaid activities (from the time studies) by amounts shown on cost reports to determine reimbursements for school districts. Kansas developed the "Kansas School District Administrative Claiming Guide" (Kansas Claiming Guide), which contains the same instructions for completing time studies as the CMS Guide except for the requirement of providing a written description to support the category selected. The Kansas Claiming Guide also contains instructions for completing cost reports. CMS approved the Kansas Claiming Guide in December 2001. CMS finalized the CMS Claiming Guide in May 2003 and addressed the requirement by stating that the ". . . burden of proof and validation of time study sample results remains the responsibility of the states." The CMS Guide suggests States consider a brief

narrative description or some comparable procedure that adequately documents Medicaid sampled activities to be included on the time study forms. A description of the time study process is presented on Appendix A.

Kansas has received \$9.7 million (Federal share) in Medicaid reimbursements for administrative activities since the program began in FY 2001. For FY 2002, Kansas received \$2.8 million (Federal share) based upon 9,310 time studies and quarterly cost reports submitted by 156 school districts.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

The objective of our audit was to determine if Kansas used accurate time studies and cost reports to claim Medicaid administrative costs associated with school-based services for FY 2002 in accordance with Federal guidelines.

### **Scope**

Our review included \$2.8 million of Federal Medicaid reimbursements made to Kansas for FY 2002. We selected four school districts:

- Kansas City because of Medicaid reimbursement for administrative activities,
- Salina because of Medicaid reimbursement for medical services,
- Greenbush because it provided Medicaid training to all school districts, and
- Shawnee Mission because of its proximity to the Kansas City Office of Audit Services Regional Office.

Kansas received \$544,483 (Federal share) for these school districts for FY 2002.

We did not evaluate MAXIMUS's random moment time study software application. We limited our review of internal controls to the policies and procedures 1) Kansas used to monitor the school-based administrative program and to calculate the Federal Medicaid reimbursement, and 2) the four school districts used to complete time studies and costs reports.

### **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal criteria, including section 1903 of the Act and OMB Circular A-87;

- interviewed officials and reviewed policies and procedures at Kansas, MAXIMUS, and the 4 school districts to obtain an understanding of how the Federal reimbursement was calculated;
- reconciled amounts claimed for Federal reimbursement to computer reports Kansas provided supporting administrative costs for each school district;
- determined if data supporting quarterly cost reports for the 4 school districts complied with the Kansas Claiming Guide;
- reviewed training records and skilled professional licenses at the 4 school districts; and
- reviewed 1,937 time study forms completed by the 4 school districts to determine if the written comments agreed with the activity code contained in the CMS Claiming Guide.

We considered time studies to be inaccurate if the written description did not support the activity code selected or was not provided. We considered written comments to be a better indication of the activity performed than the activity code selected.

We classified time studies without written descriptions as errors because:

1. Of time studies with comments, 562 of 1,729 (or 33 percent) had written comments that did not support the activity selected.
2. CMS approved the Kansas Claiming Guide, which requires written comments, in December 2001.
3. All 1,937 time study forms reviewed included a line for written comments.
4. CMS subsequently suggested a brief narrative description of the Medicaid activity be included on the time study form when it finalized the CMS Claiming Guide in May 2003.

We performed our fieldwork at the Kansas Department of Social and Rehabilitation Services in Topeka, KS; MAXIMUS's office in Tallahassee, FL; and at the four school districts. We performed our audit in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATIONS**

Kansas used inaccurate time studies and cost reports, and therefore did not claim Medicaid reimbursement for administrative costs associated with school-based services for FY 2002 in accordance with Federal regulations. The 4 school districts reviewed completed 773 of 1,937 time studies inaccurately, and 1 school district submitted inaccurate cost reports.

Kansas did not ensure that completed time study forms represented actual activities performed or that school districts submitted accurate and reliable cost reports.

As a result, Kansas received \$347,047 for administrative expenses that did not qualify for Medicaid reimbursement. The unallowable costs included \$293,182 because of time study errors and \$53,865 because of inaccurate cost reports submitted by one school district.

In addition, the \$2.8 million of Medicaid reimbursements made for FY 2002 may contain overpayments beyond the \$293,182. Because the school district that provided training to all school districts completed 62 percent of its time studies inaccurately, we believe the time studies for the remaining 152 school districts may have been completed inaccurately. Therefore, we were not assured that Kansas calculated the Federal reimbursement for the administrative costs correctly. Overpayments also may have occurred for similar reasons in the \$6.9 million of reimbursements made outside of our audit period.

## **INACCURATELY COMPLETED TIME STUDIES**

### **Medicaid Reimbursements Must Relate to the Benefits Received**

OMB Circular A-87, Attachment A(C)(3)(a), states that costs are allocable to a particular cost objective if the services involved are chargeable and assignable to such cost objective in accordance with the benefits received.

### **School Districts Completed Time Studies Inaccurately**

The four school districts did not complete time study forms accurately. Of the 1,937 time studies, 562 were inaccurate because written comments did not support activities selected, and 211 were eliminated because written comments describing activities were not provided.

#### **Written Description on Time Study Did Not Match Activity Selected**

Of the 773 errors on the time study forms, 562 errors included written descriptions that did not support activities selected, which overstated the Medicaid reimbursement. Errors included:

- 346 selections of general administration instead of non-Medicaid

For example, written responses included student supervision and changing into a Halloween costume. The CMS Guide classifies general student supervision as a school-related (non-Medicaid) activity.

- 130 selections of non-Medicaid instead of general administration

Some responses showed participants were on leave or a break, which the CMS Guide classifies as general administration.

- 79 selections of Medicaid instead of non-Medicaid or non-Medicaid instead of Medicaid

One participant selected Medicaid for “updating files for health assessment and immunization.” The CMS Guide classifies “activities related to the immunization requirements for school attendance” as school related (non-Medicaid).

One participant selected non-Medicaid for “talking with parents about Medicaid cards, applications, and how fees are waived for students on Medicaid,” which the CMS Guide classifies as Medicaid outreach.

- 7 selections of Medicaid for skilled professionals (75 percent Federal share) instead of general Medicaid (50 percent Federal share)

The written comments described activities unrelated to participants’ medical expertise, which was contrary to the CMS Guide requirements.

### **Written Description Not Provided On Time Study Forms**

For the remaining 211 errors, the time study forms did not contain written comments describing the performed activity. The forms were considered to be in error and eliminated because a significant portion of the time studies with written comments was not supported accurately. The overall effect of eliminating the 211 time studies was an increase in the Medicaid reimbursement. The time study responses eliminated were classified as:

- non-Medicaid (117),
- general administration (88),
- Medicaid (4), and
- Medicaid for skilled professionals (2).

### **Kansas Did Not Adequately Monitor the School-Based Health Program**

Kansas did not adequately monitor the time study results and ensure completed time study forms supported the activities performed. Further, the school district that provided training to all school districts completed 62 percent of its time studies inaccurately. Half of the errors included written descriptions that did not support the activity code selected, and the remaining time studies did not include written descriptions.

### **Medicaid Reimbursements Overstated by at Least \$293,000**

The 773 time study errors caused \$293,182 (Federal share) that did not qualify for Medicaid reimbursement for FY 2002. The errors overstated the statewide percentage of time school

districts spent performing Medicaid activities, which caused unallowable reimbursement for all school districts:

- \$37,863 for 4 sampled school districts and
- \$255,319 for the remaining 152 school districts.

See Appendix B for detailed information regarding the overpayment calculations.

In addition, the \$2.8 million of Medicaid reimbursements made for FY 2002 may contain overpayments beyond the \$293,182. Because the school district that provided training to all school districts completed 62 percent of its time studies inaccurately, we believe the time studies for the remaining 152 school districts may have been completed inaccurately. Therefore, we were not assured that Kansas calculated the Federal reimbursement for the administrative costs correctly. Overpayments also may have occurred for similar reasons in the \$6.9 million of reimbursements made outside of our audit period.

### **INACCURATELY COMPLETED COST REPORTS**

One school district submitted inaccurate cost reports for each quarter of FY 2002. The documentation supporting the cost reports incorrectly included costs paid through other Federal funds, incorrect health insurance rates, and duplicate costs. OMB Circular A-87, Attachment A(C)(3)(a), states costs are allocable to a particular cost objective if the services involved are chargeable and assignable to such cost objective in accordance with the benefits received.

Kansas did not ensure school districts submitted accurate and reliable cost reports. As a result, Kansas incorrectly received \$53,865 (Federal share) for the one school district for FY 2002.

### **RECOMMENDATIONS**

We recommend Kansas:

- ensure claims submitted for reimbursement are based on accurate time studies;
- ensure school districts submit accurate and reliable cost reports;
- refund \$347,047 (Federal share) that did not qualify for Medicaid reimbursement (\$293,182 for time studies and \$53,865 for cost reports); and
- review time studies completed by the 152 school districts that were not audited for FY 2002 and by all school districts for previous and subsequent years and refund any overpayments occurring because of inaccurate time studies.

## **AUDITEE'S COMMENTS**

Kansas did not agree that school districts completed the time studies inaccurately. Specifically, Kansas stated that the guidelines it provided to the school districts did not require written comments and that it only added the comment line to the time studies to assist in its validation process. Kansas also stated that CMS did not require the written comments until May 2003.

Kansas agreed with our recommendation to ensure claims submitted for reimbursement are based on accurate time studies. It stated that it has initiated steps to increase its review of the school-based administrative claiming program. Kansas did not address the recommendations to refund overpayments (\$293,182) and to review time studies at the 152 school districts for FY 2002 and all school districts for previous and subsequent years not audited.

Kansas agreed to revise its claims to reflect the overpayments received (\$53,865) for inaccurate cost report data submitted by one school district. Kansas also agreed with our recommendation to ensure school districts submit accurate and reliable cost reports. In addition, Kansas stated it is in the process of redesigning the school-based administrative cost program to provide for better oversight of the program.

The auditee's response is included in its entirety as Appendix C.

## **OIG RESPONSE**

We agree with Kansas that the program guidelines did not explicitly require school districts to provide written comments. However, we disagree with Kansas about the usefulness and legitimacy of the written comments because the comments described exactly what the participant was doing when the time study form was completed. Therefore, the written comments were a better measure of the accuracy of the forms, and we relied upon these comments when the written descriptions did not match the activity code selected.

Further, because 562 of 1,726 (or 33 percent) of time studies with comments were completed inaccurately, we questioned the accuracy of the time study forms completed without written comments. Therefore, we eliminated the 211 time study forms without written comments. Since most of these time studies had non-Medicaid activity codes selected, eliminating these forms benefited Kansas when we calculated the unallowable costs.

We commend Kansas for its efforts to ensure future claims submitted for reimbursement are based on accurate time studies and for taking steps to ensure school districts submit accurate and reliable cost reports.

## **OTHER MATTERS**

### **MENTAL HEALTH ADMINISTRATIVE CLAIMING PROGRAM**

Kansas will begin claiming administrative costs for community mental health centers in FY 2005. According to CMS officials, Kansas will identify these costs using the same methodology as the school-based administrative claiming program.

# **APPENDIXES**

## EXPLANATION OF TIME STUDY PROCESS

To calculate Medicaid administrative costs for school-based services, Kansas multiplied the statewide percentage of time school districts spent performing Medicaid activities by the administrative costs for each school district. Kansas used random moment time studies to capture the time spent performing Medicaid activities. School districts completed costs reports with its administrative costs.

### Statewide Percentage of Time Performing Medicaid Activities

Kansas, with assistance from its contractor MAXIMUS, determined the percentage of time school districts spent performing Medicaid activities through its time study process. Kansas required school districts to identify employees performing Medicaid related activities. MAXIMUS randomly sampled approximately 3,500 of these employees. Kansas also randomly sampled one minute intervals during the workday. MAXIMUS then sent time study forms for sampled participants to complete with the activity performed during the selected minute, along with a written comment supporting the choice. The choices included Medicaid or non-Medicaid activities, general administration, and not scheduled to work. (See Table 1.)

**Table 1 – Listing of Time Study Activities**

Category Number	Description	Medicaid 50 Percent FFP	Medicaid 75 Percent FFP
1	Non-Medicaid Outreach		
2	Medicaid Outreach	Yes	
3	Facilitating An Application for Non-Medicaid Programs		
4	Facilitating An Application for Medicaid Programs	Yes	
5	Non-Medicaid, Educational and Other Social Activities		
6	Direct Medical Services		
7	Program Planning, Policy Development, and Interagency Coordination Related to Medical Services	Yes	
8	Non-Medicaid Training		
9a	Medicaid Specific Training	Yes	
9b	Skilled Professional Medicaid Specific Training		Yes
10a	Referral, Coordination, and Monitoring of Health Care Services	Yes	
10b	Skilled Professional Referral, Coordination, and Monitoring of Health Care Services		Yes
11	General Administration		
12	Not Scheduled to Work		

MAXIMUS totaled the selections for each category from completed time study forms. Responses showing “Not Scheduled to Work” were eliminated. “General Administration”

responses were reallocated according to the percentage of responses received for remaining categories.

For example, if 15 percent of time study responses showed “Non-Medicaid Outreach,” then 15 percent of “General Administration” responses were re-allocated to “Non-Medicaid Outreach.”

After allocating “General Administration” responses, the time studies results showed the statewide percentage of time school districts performed Medicaid activities.

### **Administrative Cost Calculation for Each School District**

The administrative cost calculations for each school district included the statewide percentage of time school districts performed Medicaid activities, the percentage of eligible individuals in the school district’s county, and administrative costs included on the costs reports. MAXIMUS made separate calculations for Medicaid reimbursement at 50 percent FFP (general administrative activities) and at 75 FFP (skilled professional activities).

### **Statewide Percentages and County Medicaid Eligibility Rates**

To calculate administrative costs for the 50 percent FFP, MAXIMUS used the percentages for the five Medicaid categories shown in Table 1. Of the five categories, three were related only to Medicaid and two were related partially to Medicaid.

- MAXIMUS added the Medicaid only categories together to determine the Total Non-Discounted Claimable Percentage (3 percent in the example below).
- MAXIMUS multiplied the sum of the two partially Medicaid related percentages by the County Medicaid Eligible Rate to determine the Total Discounted Claimable Percentage (0.40 percent in the example below).

**Table 2 – Claimable Percentage Calculation 50 Percent FFP - Example**

<b>Time Study Activity</b>		<b>Percentages</b>
02	Medicaid Outreach	1.00%
04	Facilitating An Application for Medicaid Program	1.00
09a	Medicaid Specific Training	1.00
<b>Total Non-Discounted Claimable Percentage</b>		<b>3.00%</b>
07	Program Planning, Policy Development, and Interagency Coordination Related to Medical Services	2.00%
10a	Referral, Coordination, and Monitoring of Health Care Services	2.00
<b>Subtotal</b>		<b>4.00</b>
	County Medicaid Eligibility Rate	10.00%
<b>Total Discounted Claimable Percentage</b>		<b>0.40 %</b>

To calculate administrative costs for the 75 percent FFP, MAXIMUS used the same methodology except there were only two Medicaid categories (see Table 1). One of the categories was Medicaid only, and the other was related partially to Medicaid.

- The Total Non-Discounted Claimable Percentage equaled the percentage for the Medicaid-only category (0.50 percent in the example below).
- MAXIMUS multiplied the partially Medicaid related percentage by the County Medicaid Eligible Rate to determine the Total Discounted Claimable Percentage (0.30 percent in the example below).

**Table 3 – Claimable Percentage Calculation 75 Percent FFP - Example**

<b>Code</b>	<b>Time Study Activity</b>	<b>Percentages</b>
09b	Skilled Professional Specific Training	0.50%
<b>Total Non-Discounted Claimable Percentage</b>		<b>0.50%</b>
10b	Skilled Professional Referral, Coordination and Monitoring of Health Care Services	3.00%
	County Medicaid Eligibility Rate	10.00%
<b>Total Discounted Claimable Percentage</b>		<b>0.30%</b>

### **Cost Reports with Administrative Costs**

Each school district submitted cost reports containing salaries, fringe benefits associated with selected time study participants, and other district wide administrative costs. MAXIMUS multiplied the cost report totals by the percentages to determine the total Medicaid Administrative Costs.

**Table 4 – Calculation of Administrative Costs**

<b>Category</b>	<b>Claimable Percentages</b>	<b>Cost Report Totals</b>	<b>Administrative Costs</b>
50 Percent FFP – Non Discounted Rate	3.00%	\$100,000	\$3,000
50 Percent FFP – Discounted Rate	0.40	100,000	400
75 Percent FFP – Non Discounted Rate	0.50	100,000	500
75 Percent FFP – Discounted Rate	0.30	100,000	300

MAXIMUS then calculated the Federal Medicaid reimbursement by adding the administrative costs together and multiplying by the appropriate FFP rate:

- 50 Percent FFP:  $\$3,000 + \$400 = \$3,400 \times 50 \text{ percent} = \$1,700$  Federal Share
- 75 Percent FFP:  $\$500 + \$300 = \$800 \times 75 \text{ percent} = \$600$  Federal Share

## **COMPUTATION OF OVERSTATED MEDICAID REIMBURSEMENT**

Because school districts did not complete time studies correctly, Kansas received \$293,182 that did not qualify for Medicaid reimbursement. The overpayments affected the 4 sampled school districts and the remaining 152 school districts not reviewed.

### **Medicaid Reimbursement Calculation**

Kansas used time studies and cost reports completed by school districts to calculate administrative costs for school-based health services. The time studies captured the percentage of time school district officials performed Medicaid activities (Medicaid percentages). These activities include administrative functions related to normal activities and skilled professional medical personnel (skilled professional) activities. After gathering time studies from all school districts, Kansas calculated a statewide average.

The administrative cost calculations for each school district included the statewide percentage of time school districts performed Medicaid activities, the percentage of eligible individuals in the school district's county, and administrative costs included on the costs reports. MAXIMUS made separate calculations for Medicaid reimbursement at 50 percent FFP (general administrative activities) and at 75 percent FFP (skilled professional activities).

A description of the time study process is presented on Appendix A.

### **Four Sampled School Districts**

To calculate the overpayment for the four sampled school districts, we used the same formulas Kansas used, including the county Medicaid eligibility rates. For each quarter, the time study errors caused the statewide percentages to be overstated. As a result, Kansas received \$37,863 that did not qualify for Medicaid reimbursement on behalf of the four school districts. Table 1 shows unallowable costs for both general Medicaid (50 percent FFP) and the skilled professionals (75 percent FFP):

Table 1 – Unallowable Costs – Four Sampled School Districts

Quarter	School District	Medicaid Reimbursement	Audited Medicaid Reimbursement	Overpayment
<b>Normal Medicaid - 50 Percent FFP</b>				
1	A	\$39,776	\$60,757	<sup>1</sup> -\$20,981
	B	3,364	3,016	348
	C	50,466	44,400	6,066
	D	7,797	6,971	826
2	A	57,507	50,051	7,456
	B	2,613	2,267	346
	C	41,448	35,432	6,016
3	A	43,055	39,054	4,001
	B	3,100	2,811	289
	C	51,588	46,698	4,890
	D	9,224	8,361	863
4	A	37,518	34,931	2,587
	C	32,488	28,639	3,849
	D	2,968	2,453	515
<b>Sub-Total – 50 Percent FFP</b>				<sup>2</sup> <b>\$17,071</b>
<b>Skilled Professional Activities – 75 Percent FFP</b>				
1	A	\$23,923	\$19,202	\$4,721
	B	972	887	85
	C	9,022	8,323	699
	D	2,128	1,944	184
2	A	32,591	27,599	4,992
	B	1,341	1,137	204
	C	10,713	9,236	1,477
3	A	26,144	23,356	2,788
	B	\$ 1,746	\$ 1,564	\$ 182
	C	19,086	17,437	1,649
	D	4,928	4,424	504

<sup>1</sup> The contractor used a different methodology to calculate the first quarter's Medicaid reimbursement payment, for which its officials could not explain. Therefore, the overpayment for this school district is not consistent with the other school districts.

<sup>2</sup> Kansas did not receive reimbursement on behalf of one school district in the second quarter and another school district in the fourth quarter.

Quarter	School District	Medicaid Reimbursement	Audited Medicaid Reimbursement	Overpayment
4	A	18,381	16,185	2,196
	C	8,879	7,992	887
	D	1,257	1,033	224
<b>Sub-Total – 75 Percent FFP</b>				<b>\$20,792</b>
<b>Total 4 School Districts</b>				<b>\$37,863</b>

### School Districts Not Reviewed

To calculate the overpayment for the 152 school districts not sampled, we used the same formula as Kansas used, except we used a statewide Medicaid eligibility rate to determine the time study percentages. Because Kansas used time studies from all school districts to calculate the reimbursement, the errors at the 4 school districts caused overpayments for the remaining 152 school districts for each quarter in FY 2002. As a result, Kansas received \$255,319 that was unallowable for Medicaid reimbursement for the remaining 152 school districts:

**Table 2 – Unallowable Costs – 152 School Districts Not Sampled**

Quarter	Medicaid Reimbursement	Audited Medicaid Reimbursement	Overpayment
<b>Normal Administrative Activities – 50 Percent FFP</b>			
1	\$550,579	\$491,414	\$59,165
2	370,586	320,520	50,066
3	433,714	393,118	40,596
4	292,780	260,274	32,506
<b>Sub-Total – 50 Percent FFP</b>			<b>\$182,333</b>
<b>Skilled Professional Activities – 75 Percent FFP</b>			
1	\$146,000	\$133,444	\$12,556
2	163,589	139,034	24,555
3	218,504	196,391	22,113
4	120,042	106,280	13,762
<b>Sub-Total – 75 Percent FFP</b>			<b>\$72,986</b>
<b>Total - 152 School Districts</b>			<b>\$255,319</b>

### Conclusion

Overall, Kansas received \$293,182 (\$37,863 + \$255,319) that did not qualify for Medicaid reimbursement.



GARY J. DANIELS, ACTING SECRETARY

K A N S A S

KATHLEEN SEBELIUS, GOVERNOR

SOCIAL AND REHABILITATION SERVICES

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Health Care Policy / Medical Policy Division  
Scott Brunner, Director

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Mr. James P. Aasmundstad  
Regional Inspector General For Audit Services  
Office of Inspector General  
Department of Health and Human Services, Region VII  
601 East 12<sup>th</sup> Street, Room 284A  
Kansas City, MO 64106

RE: A-07-03-00154

Dear Mr. Aasmundstad:

The Kansas Department of Social and Rehabilitation Services (SRS) has reviewed the draft report entitled "Medicaid School-Based Administrative Activities in Kansas - CMS and OIG Interagency Agreement by the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services (OIG), and appreciate the opportunity to offer additional information relative to the draft report that will be taken into account as the final report in prepared and included as an Appendix to the report.

**INACCURATELY COMPLETED TIME STUDIES**

The draft report states "Of the 1,937 time studies, 562 were inaccurate because written comments did not support activities selected, and 210 were eliminated because written comments describing activities were not provided."

It should be noted that the Kansas SDAC Guide as contained in their State Plan, did not require that the comment line be completed. The comment line that appears on the RMS forms was added to assist in the validation process of submitted forms. It should also be noted that the Kansas SDAC guide, as submitted to CMS for approval, does not require that the comment line be filled out prior to the submission of the form during the FFY 2002 review period. Not until the issuance of the CMS claiming guide in May 2003 was it necessary or a requirement for RMS observation forms to contain a comment line to support the code checked by the RMS respondent.

**Kansas did not adequately monitor the School-Based Health Program.**

The State of Kansas has initiated quarterly meetings with Maximus and Greenbush for the purpose of reviewing RMS forms, cost reports and increased review/monitoring of the SDAC Program. MAXIMUS has also brought a quality assurance staff member on board to review RMS forms, monitor the QA activities and training provided to the schools participating in the SDAC program.

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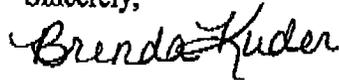
**INACCURATELY COMPLETED COST REPORTS**

Duplicate salaries and fringe benefits on three cost reports and the inclusion of Federal Funds were included on all four quarters of FFY 2002 as submitted by the Kansas City Public School. Revised cost data reports have been received containing information as to the actual costs incurred during the quarters in question. These claims have been revised to reflect the appropriate amounts.

Since the completion of the audit of the SDAC program steps have been taken to provide for increased monitoring and oversight of this program by SRS. SRS has initiated quarterly meetings with MAXIMUS and Greenbush to review samples of RMS forms completed and submitted by the school districts. Cost report data is also reviewed at these meetings. A QA staff person has been added to the contract by MAXIMUS for the purpose of reviewing RMS forms, cost reports and initiating QA steps in the RMS, cost data submission at the school level to increase the accuracy of the information submitted. SRS is also in the process of redesigning the SDAC program to incorporate the findings of this audit into the program to provide for better oversight and management of the program and the claims submitted.

Thank you for providing me the opportunity to respond to this draft report and provide additional information about the KS SDAC program. Please contact me if you have additional questions.

Sincerely,



Brenda Kuder

Program Manager of School-Based Services