



JAN 17 2008

TO: Kerry Weems
Acting Administrator
Centers for Medicare & Medicaid Services

FROM: Daniel R. Levinson *Daniel R. Levinson*
Inspector General

SUBJECT: Review of Kansas's Medicaid Payments for Targeted Case Management for the Period July 1, 2000, Through June 30, 2003 (A-07-06-03074)

Attached is an advance copy of our final report on Kansas Medicaid payments for targeted case management (TCM) from July 1, 2000, through June 30, 2003. We will issue this report to the Kansas Department of Social and Rehabilitation Services (the State agency) within 5 business days.

Our objective was to determine whether the State agency claimed allowable Medicaid payments for TCM services during State fiscal years (FY) 2001 through 2003 (July 1, 2000–June 30, 2003) in accordance with expenditure limitations contained in the State plan.

The State agency did not assure that its \$61,765,693 (\$37,178,661 Federal share) claim was equal to or less than the limit specified in the State plan. Without such assurance—supported with auditable documentation—we are unable to express an opinion on the reasonableness of the State agency's claim for reimbursement on the Centers for Medicare & Medicaid Services (CMS) Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program reports.

The State agency's lack of internal controls was the cause of its inability to provide such assurance.

We recommend that the State agency:

- work with CMS to determine the allowability of the \$61,765,693 (\$37,178,661 Federal share) for the audit period of State FYs 2001 through 2003 and all subsequent periods and
- strengthen internal controls to ensure that State plan requirements are followed in submitting future TCM claims.

In written comments on our draft report, the State agency concurred with our first recommendation. The State agency did not directly address our second recommendation, but it described improvements made in internal controls and oversight since the audit period and indicated that it no longer claims TCM services. The State agency said that it disagreed with the “factual determinations and interpretations” in the report, but it did not include any specific discussion points to elaborate on the disagreement.

After reviewing the State agency’s comments, we continue to support our findings and recommendations.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through e-mail at George.Reeb@oig.hhs.gov or Patrick J. Cogley, Regional Inspector General for Audit Services, Region VII, at (816) 426-3591 or through e-mail at Patrick.Cogley@oig.hhs.gov. Please refer to report number A-07-06-03074.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

JAN 18 2008

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

Report Number: A-07-06-03074

Mr. Don Jordan
Secretary
Kansas Department of Social and Rehabilitation Services
Docking State Office Building, 6th Floor
915 SW. Harrison Street
Topeka, Kansas 66612

Dear Mr. Jordan:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Kansas's Medicaid Payments for Targeted Case Management for the Period July 1, 2000, Through June 30, 2003." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Greg Tambke, Audit Manager, at (573) 893-8338, ext. 30, or through e-mail at Greg.Tambke@oig.hhs.gov. Please refer to report number A-07-06-03074 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF KANSAS'S MEDICAID
PAYMENTS FOR TARGETED CASE
MANAGEMENT FOR THE PERIOD
JULY 1, 2000, THROUGH
JUNE 30, 2003**



Daniel R. Levinson
Inspector General

January 2008
A-07-06-03074

Office of Inspector General

<http://oig.hhs.gov>

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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

Medicaid Program

Pursuant to Title XIX of the Social Security Act, the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. States also may provide optional coverage of rehabilitation services.

In Kansas, at the time of our review, the Department of Social and Rehabilitation Services (State agency) administered the Medicaid program. (Since the time of our review, the State has transferred the Medicaid program to another State agency, the Kansas Health Policy Authority.) The State agency provides rehabilitation services through its Child Welfare Services program. Contractors provide targeted case management (TCM) services to beneficiaries of the components of the Child Welfare Services program, which include the Family Preservation, Adoption, and Foster Care programs.

Contracted Providers

The State agency contracted with providers for child welfare services and paid providers on a per-child basis in the form of lump-sum payments, which included monthly base fees and per-child monthly rates. Consequently, the State agency's lump-sum payments to providers included amounts for Medicaid services, Title IV-E programs, and State-only funded programs that were not separately identified.

Centers for Medicare & Medicaid Services's Review

In 2004, CMS reviewed the State agency's Child Welfare Services program, including TCM services. CMS determined the State agency had submitted claims for Federal reimbursement that did not reflect actual payments to providers. As a result, CMS deferred reimbursement for expenditures that did not meet Federal and State requirements. CMS began the deferral with the quarter that ended September 30, 2003, and it remains in effect as of the quarter that ended March 31, 2007.

CMS requested that we conduct this audit in response to its review.

OBJECTIVE

Our objective was to determine whether the State agency claimed allowable Medicaid payments for TCM services during State fiscal years (FY) 2001 through 2003 (July 1, 2000–June 30, 2003) in accordance with expenditure limitations contained in the State plan.

SUMMARY OF FINDINGS

The State agency did not assure that its \$61,765,693 (\$37,178,661 Federal share) claim was equal to or less than the limit specified in the State plan. Without such assurance—supported with auditable documentation—we are unable to express an opinion on the reasonableness of the State agency’s claim for reimbursement on the CMS Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64) reports.

The State agency’s lack of internal controls was the cause of its inability to provide such assurance.

RECOMMENDATIONS

We recommend that the State agency:

- work with CMS to determine the allowability of the \$61,765,693 (\$37,178,661 Federal share) for the audit period of State FYs 2001 through 2003 and all subsequent periods and
- strengthen internal controls to ensure that State plan requirements are followed in submitting future TCM claims.

STATE AGENCY’S COMMENTS AND OFFICE OF INSPECTOR GENERAL’S RESPONSE

In written comments on our draft report, the State agency concurred with our first recommendation. The State agency did not directly address our second recommendation, but it described improvements made in internal controls and oversight since the audit period and indicated that it no longer claims TCM services. The State agency said that it disagreed with the “factual determinations and interpretations” in the report, but it did not include any specific discussion points to elaborate on the disagreement.

The State agency’s comments are included in their entirety as the appendix.

After reviewing the State agency’s comments, we continue to support our findings and recommendations.

TABLE OF CONTENTS

Page

INTRODUCTION.....1

BACKGROUND1

 Medicaid Program1

 Medicaid Targeted Case Management Services1

 Kansas Medicaid Program1

 Consulting Service2

 Contracted Providers.....2

 Calculation of the Targeted Case Management Claim2

 Centers for Medicare & Medicaid Services’s Review.....2

OBJECTIVE, SCOPE, AND METHODOLOGY.....3

 Objective3

 Scope.....3

 Methodology.....3

FINDINGS AND RECOMMENDATIONS4

**NONCOMPLIANCE WITH THE REQUIREMENTS
OF THE STATE PLAN**.....4

 State Plan Requirements4

 State Agency Compliance With the State Plan.....4

CONCLUSION5

RECOMMENDATIONS.....5

STATE AGENCY’S COMMENTS6

OFFICE OF INSPECTOR GENERAL’S RESPONSE.....6

APPENDIX

STATE AGENCY’S COMMENTS

INTRODUCTION

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. States may also provide optional coverage of rehabilitation services.

Medicaid Targeted Case Management Services

Section 1905(a)(19) of the Act authorizes State Medicaid agencies to provide case management services to Medicaid beneficiaries. Section 1915(g)(2) of the Act defines Medicaid case management as “services which will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services.”

CMS’s State Medicaid Director Letter 01-013, issued on January 19, 2001, refers to case management services as targeted case management (TCM) when the services are furnished to specific populations in a State. Allowable TCM services for Medicaid-eligible beneficiaries include assessment to determine service needs, development of a specific case plan, referral to needed services, and monitoring and followup of allowable services.

Kansas Medicaid Program

In Kansas, at the time of our review, the Department of Social and Rehabilitation Services (State agency) administered the Medicaid program. (Since the time of our review, the State has transferred the Medicaid program to another State agency, the Kansas Health Policy Authority.) The State agency provides rehabilitation services through its Child Welfare Services program. State agency contractors provide TCM services to beneficiaries of the Child Welfare Services program, which includes the Family Preservation, Adoption, and Foster Care programs.

According to the State plan, TCM services are provided to Medicaid-eligible beneficiaries 21 years old and younger who experience, or are at risk of, abuse, neglect, abandonment, family violence, out-of-home placement, or institutionalization as evidenced by a designated State children’s service agency’s assessment. TCM services include client intake through the identification of programs appropriate for the individual’s needs; assessment of the recipient’s family and community circumstances, risks, and service needs; case planning with the recipient, caregiver, and other parties; service coordination and monitoring; and case plan reassessment to determine whether services are adequate to meet the goals in the case plan.

Consulting Service

In April 1999, the State agency contracted with Maximus, Inc., under a contingency fee arrangement for services designed to maximize Federal reimbursement by identifying additional Title XIX claims and sources of Federal funding. Before this contract, the State agency had been receiving Federal reimbursement at levels it regarded as lower than allowable. Under this contract, Maximus designed a system so that the State agency would be eligible for higher levels of Federal funding under Medicaid for child welfare services, including TCM services. The contingency fee payment from the State agency to Maximus was based on the net amount of Federal reimbursement. Maximus created a claims data base used to report amounts to the State agency for claiming Federal reimbursement for TCM services on the CMS Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64) reports.

Contracted Providers

The State agency contracted with providers for child welfare services and paid providers on a per-child basis in the form of lump-sum payments, which included monthly base fees and per-child monthly rates. Consequently, the State agency's lump-sum payments to providers included amounts for Medicaid services, Title IV-E (Foster Care and Adoption Assistance) programs, and State-only funded programs that were not separately identified.

Calculation of the Targeted Case Management Claim

The State agency calculated a monthly fee and used it to compute its claim for TCM services. The State agency calculated the fee as follows: (1) it calculated a percentage of time spent on TCM activities based on a random moment timestudy; (2) it multiplied the percentage by the contractors' annual allowable costs for providing TCM services; and (3) it divided the result by the total number of open cases on the last day of a representative month. The State agency multiplied this monthly fee by the number of eligible beneficiaries to calculate its Federal claim for reimbursement.

Centers for Medicare & Medicaid Services's Review

In 2004, CMS reviewed the State agency's Child Welfare Services program, including TCM services. CMS determined that the State agency had submitted claims for Federal reimbursement that did not reflect actual expenditures. As a result of its review, CMS deferred reimbursement for expenditures that did not meet Federal and State requirements, beginning with the quarter that ended September 30, 2003. This deferral remained in effect as of the quarter that ended March 31, 2007.

CMS requested that we audit the Child Welfare Services program for the period of July 1, 2000, through June 30, 2003, to determine whether the State agency had claimed allowable Medicaid payments for TCM services.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed allowable Medicaid payments for TCM services during State fiscal years (FY) 2001 through 2003 (July 1, 2000–June 30, 2003) in accordance with expenditure limitations contained in the State plan.

Scope

We reviewed the State agency’s TCM claim for Federal reimbursement, totaling \$61,765,693 (\$37,178,661 Federal share), during State FYs 2001 through 2003.

We did not review the State agency’s overall internal control structure because our objective did not require us to do so. We limited our internal control review to those controls related directly to TCM services to determine whether the State agency’s procedures for claiming TCM were allowable.

We did not review the services provided to eligible children to verify that they were allowable TCM services.

We conducted this review concurrently with our audits of the Family Preservation program (“Review of Kansas Medicaid Payments for the Family Preservation Program,” report number A-07-06-03076) and of the Child Welfare Services program (“Review of Kansas Medicaid Payments for the Child Welfare Services Program,” report number A-07-06-03079).

We performed our fieldwork at the State agency’s office in Topeka, Kansas.

Methodology

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, and guidelines related to the Medicaid program and TCM services, as well as the Kansas State plan;
- interviewed (1) CMS staff, to understand CMS’s role in approving the State plan and providing guidance to the State agency for TCM services, (2) State agency officials, to discuss the State agency’s policies and procedures for claiming Federal reimbursement for TCM services, and (3) State agency providers responsible for the provision of services;
- reviewed data files for State FYs 2001 through 2003 and reconciled the claim amounts in the files to the expenditures claimed on the CMS-64 reports;
- analyzed claims data used to support Federal reimbursement for State FYs 2001 through 2003;

- reviewed and evaluated the State agency’s contracts with providers to determine how payments were made; and
- obtained an understanding of computer controls and edits established by the State agency for claiming Federal reimbursement.

We conducted our review in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The State agency did not assure that its \$61,765,693 (\$37,178,661 Federal share) claim was equal to or less than the limit specified in the State plan. Without such assurance—supported with auditable documentation—we are unable to express an opinion on the reasonableness of the State agency’s claim for reimbursement on the CMS-64 reports.

NONCOMPLIANCE WITH THE REQUIREMENTS OF THE STATE PLAN

State Plan Requirements

The State plan, Attachment 4 19-B #13d, requires that the amount paid for TCM services equal the lesser of the fee-for-service rate or the amount actually paid to the provider. To determine the amount to be claimed for TCM services, the State plan lists the six requirements quoted here:

- 1) Encounter data is collected for each service provided.
- 2) When all eligibility criteria are met, the Medicaid fee-for-service payment rate is multiplied times the number of services provided to determine the Medicaid allowable cost.
- 3) The amounts determined above in steps 1 and 2, for each Medicaid eligible individual, are totaled.
- 4) The amounts paid to the provider, for each Medicaid eligible individual, are totaled.
- 5) The lesser of the amounts determined in steps 3 and 4 is the amount claimable to federal financial participation [Federal reimbursement] for each Medicaid eligible individual.
- 6) The amounts determined in step 5 above is accumulated for all Medicaid eligible individuals.

State Agency Compliance With the State Plan

The State agency did not assure that its claim on the CMS-64 reports was equal to the lesser of the fee-for-service rate or the amount actually paid to the provider. The State agency was unable

to compare the amount actually paid to providers for TCM services with the fee-for-service rate for those services because it could not provide documentation demonstrating that it established a fee-for-service rate for TCM services for any portion of the period of our review. During our fieldwork, we requested documentation as to the establishment of a fee-for-service rate for TCM services. The State agency was unable to provide a fee-for-service rate. In addition, we independently researched the State agency's provider manuals and other sources, but at no point could we identify a fee-for-service rate for these services.

The State agency paid its providers on a per-child basis in the form of lump-sum payments, which included monthly base fees and per-child monthly rates. These payments included amounts for Medicaid services, Title IV-E programs, and services of State-only programs that were not separately identified. However, the State agency could not provide documentation demonstrating that it had determined the actual amount paid to providers for TCM services, as required by the State plan.

Because the State agency did not establish a fee-for-service payment rate or determine the actual amount paid to providers for TCM services, it was not possible to determine the lesser amount as the State plan requires. Thus, when the State agency made its claim for TCM services on the CMS-64 reports, it did not use the lesser of the fee-for-service rate or the actual amount paid to providers. Accordingly, the State agency was not in compliance with its State plan. Because some TCM services may have been provided, we are setting aside the \$61,765,693 (\$37,178,661 Federal share) for adjudication by CMS.

CONCLUSION

Because the State agency did not have a fee-for service rate and could not determine the actual amount paid to providers for TCM services, it could not determine the lesser of those two amounts. Thus, it was not in compliance with its State plan and could not assure that its \$61,765,693 (\$37,178,661 Federal share) claim on the CMS-64 reports did not exceed the lesser of the fee-for-service rate or the actual payment.

The State agency's lack of internal controls was the cause of its inability to provide such assurance.

RECOMMENDATIONS

We recommend that the State agency:

- work with CMS to determine the allowability of the \$61,765,693 (\$37,178,661 Federal share) for the audit period of State FYs 2001 through 2003 and all subsequent periods and
- strengthen internal controls to ensure that State plan requirements are followed in submitting future TCM claims.

STATE AGENCY’S COMMENTS

In written comments on our draft report, the State agency concurred with our first recommendation. The State agency did not directly address our second recommendation, but it described improvements made in internal controls and oversight since the audit period and indicated that it no longer claims TCM services. The State agency said that it disagreed with the “factual determinations and interpretations” in the report, but it did not include any specific discussion points to elaborate on the disagreement.

The State agency’s comments are included in their entirety as the appendix.

OFFICE OF INSPECTOR GENERAL’S RESPONSE

After reviewing the State agency’s comments, we continue to support our findings and recommendations.

APPENDIX



Kathleen Sebelius, Governor
Don Jordan, Secretary

www.srskansas.org

October 24, 2007

Re: Report Number: A-07-06-3074; Response to Draft Audit Report – “Review of Kansas’s Medicaid Payments for Targeted Case Management for the Period July 1, 2000 Through June 30, 2003”

Mr. Patrick J. Cogley
Regional Inspector General for Audit Services
Office of Inspector General
Office of Audit Services
Region VII
601 East 12th Street, Room 284A
Kansas City, Missouri 64106

Dear Mr. Cogley:

Thank you for giving us the opportunity to respond to the above referenced draft report. We appreciate the professionalism of your staff in conducting the audit and in keeping us informed of its status. We disagree with the factual determinations and interpretations in the audit report and have the following comments in response to your recommendations:

OIG Recommendation: We recommend the State agency work with CMS to determine the allowability of the \$61,765,693 (\$37,178,661 Federal share) for the audit period of FY 2001 through 2003 and all subsequent periods.

State of Kansas SRS Response: We concur with the recommendation that we should work with CMS to resolve the \$61,765,693 (\$37,178,661 Federal share) questioned amount noted in the report.

OIG Recommendation: We recommend the State agency strengthen internal controls to ensure that State plan requirements are followed in submitting future TCM claims.

State of Kansas SRS Response: We are no longer submitting claims for Targeted Case Management (TCM) services for children in the child welfare system to the Centers for Medicare and Medicaid (CMS) because we no longer have Medicaid funded services in our child welfare

Response to OIG Draft Audit Report – A-07-06-3074
Review of Kansas's Medicaid Payments for Targeted Case Management
Page 2

program. The decision to discontinue claiming for Medicaid services occurred while this audit was underway and was effective 7/1/05, i.e., we discontinued claiming as of 6/30/05.

Moreover, we no longer have a contingency fee contract with an outside consultant for TCM services. Our contract with the consultant mentioned in the report ended 12/06. Our decision not to continue contracting with an external consulting firm was based on a number of factors. In the prior paragraph we mentioned that we no longer claim for TCM services in child welfare. That, coupled with the growth in our own capacity to process the claims and the consulting firm's completion of the terms and conditions of the contract, resulted in us determining we no longer needed that firm's services.

The actions mentioned above were taken to strengthen our control environment. They are indicative of the current management philosophy towards contract oversight and risk management.

We did, and will continue to, make every effort to comply with State plans submitted to the federal government. Should you have any questions concerning this response, please contact Laura Howard, Assistant Secretary of SRS, at 785-296-3271.

Sincerely,



Don Jordan
Secretary

MSH

Cc: Laura Howard, Assistant Secretary, SRS
Ray Dalton, Deputy Secretary, HCP, SRS
Candace Shively, Deputy Secretary, ISD, SRS
Mary S. Hoover, CAE/Director, Office of Audit, SRS
Dr. Marci Nielsen, Executive Director, Kansas Health Policy Authority
Roxie Namey, Kansas Health Policy Authority