



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

OCT 20 2006

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

Report Number: A-07-06-03075

K. Gary Sherman, Director
Department of Social Services
Broadway State Office Building
P.O. Box 1527
Jefferson City, Missouri 65102

Dear Mr. Sherman:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General (OIG) final report entitled "Medicaid Payments for Skilled Professional Medical Personnel to Missouri School Districts." A copy of this report will be forwarded 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 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.

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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, extension 274, or contact Greg Tambke, Audit Manager, at (573) 893-8338, extension 30, or through e-mail at Greg.Tambke@oig.hhs.gov. Please refer to the report number A-07-06-03075 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Thomas Lenz
Regional Administrator, Region VII
Centers for Medicare & Medicaid Services
Richard Bolling Federal Building
601 East 12th Street, Room 227
Kansas City, Missouri 64106

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MEDICAID PAYMENTS FOR
SKILLED PROFESSIONAL
MEDICAL PERSONNEL TO
MISSOURI SCHOOL DISTRICTS**



Daniel R. Levinson
Inspector General

October 2006
A-07-06-03075

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

Pursuant to Title XIX of the Social Security Act, the Federal Government reimburses States for Medicaid-related administrative costs necessary for the proper and efficient administration of their Medicaid State plans. In general, the Federal Government reimburses States for Medicaid administrative costs at a matching rate of 50 percent. However, the Federal Government reimburses States at an enhanced 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 rate to be available, skilled professional medical personnel must complete 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. A State-documented employer-employee relationship must exist between the Medicaid agency and the skilled professional medical personnel and directly supporting staff. Activities provided by skilled professional medical personnel must be directly related to the administration of the Medicaid program and cannot include direct medical assistance.

The Division of Medical Services (State agency¹) of the Department of Social Services administers Missouri's Medicaid program. The State agency employs skilled professional medical personnel and contracts with the Department of Mental Health, the Department of Health and Senior Services, and school districts to conduct Medicaid skilled professional medical administrative activities. In addition, the State agency contracts with MAXIMUS, Inc. (MAXIMUS) to administer the Missouri School District Administration Claiming (SDAC) program. Specifically, MAXIMUS distributes Random Moment Sampling (RMS) forms, trains school districts on how to complete RMS forms, assists school districts in calculating reimbursement, and submits the SDAC invoices to the State agency. The State agency submits these invoices to Department of Social Services/Division of Budget and Finance, which consolidates the invoices and submits the information to the Centers for Medicare & Medicaid Services (CMS) for reimbursement on the standard Form CMS-64, "Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program" (CMS-64 report).

The State agency claimed approximately \$3.5 million (Federal share) for Federal fiscal year (FY) 2003 skilled professional medical personnel administrative activities. Of that amount, the 215 school districts claimed an estimated \$1.2 million (Federal share). School District A claimed \$210,448.

OBJECTIVE

Our objective was to determine if the State agency properly claimed payments for skilled professional medical personnel at the enhanced Federal funding rate for FY 2003 at the school district level.

¹We addressed State agency skilled professional medical personnel findings in a separate report (report number A-07-05-03066).

SUMMARY OF FINDINGS

The State agency did not properly claim payments of \$1.1 million (Federal share) for skilled professional medical personnel at the enhanced Federal funding rate for FY 2003 at the school district level. Specifically, the payments were for (1) unallowable activities included by the school districts, (2) inaccurate administrative claiming invoices included by School District A, and (3) inaccurate personnel rosters included by School District A.

The school districts included unallowable activities or activities not eligible for the enhanced rate on its RMS forms. Specifically, school district personnel selected activity codes for direct medical services, which were not Medicaid related or adequately supported, and for activities that did not require medical expertise and were performed by some personnel who did not meet the education requirement. In addition, most of the school districts improperly included indirect costs on their SDAC invoices and some improperly included other expenses.

In addition to the RMS errors, other information contained on School District A's SDAC invoices was inaccurate. School district A did not have adequate documentation to support all the personnel costs claimed on the SDAC invoices nor did all the personnel meet the employer-employee relationship requirements.

School District A's SDAC personnel rosters were inaccurate. The personnel rosters contained duplicated personnel costs and personnel who did not meet the education requirement for skilled professional medical personnel. The school district also submitted estimated personnel costs rather than actual costs and did not have support to show that it offset Federal funding from other sources.

The State agency did not have sufficient policies and procedures to adequately monitor SDAC invoices submitted by participants for the SDAC program. As a result, the State agency received Medicaid funding overpayments in the amount of \$1,065,655 (Federal share) for FY 2003 for school district claims.

RECOMMENDATIONS

We recommend the State agency refund \$1,065,655 to the Federal Government and strengthen policies and procedures to more closely monitor the SDAC program and payments, including in depth reviews at the school district level. We also recommend the State agency review all the school districts FY 2003 SDAC cost pools and invoices to ensure accuracy and remit any overpayments to the Federal Government. Specifically the State agency should:

- ensure that direct medical services are claimed at the Federal Medical Assistance Percentage rate and not the enhanced administrative rate,
- review licensure information for individuals classified as a skilled professional medical personnel listed in all the school districts' cost pools to ensure that they meet the educational requirements, and

- review all SDAC invoices paid in FY 2003 to ensure that other expenses only includes allowable expenditures for the enhanced reimbursement.

We also recommend that the State agency review and recalculate School District A's FY 2003 invoices to determine the correct amount of reimbursement and remit any overpayments to the Federal Government. Specifically, the State agency should:

- ensure that duplicate personnel costs are removed,
- ensure that all employees claimed as skilled professional medical personnel meet Federal education requirements, and
- review the payroll system to determine which personnel costs are paid through other Federal funding sources and offset the revenue.

STATE AGENCY'S COMMENTS

In its written response to our draft report, the State agency disagreed with the majority of the recommendations. The State agency stated that it "was not provided the information used by [Office of Inspector General] to support the findings. Without the information regarding the reasons why specific elements of the claim were disallowed, the State of Missouri is at a distinct disadvantage in preparing this response."

The State agency's comments are included in their entirety as an appendix.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We continue to believe the State agency should refund the \$1,065,655 to CMS and strengthen policies and procedures to more closely monitor the SDAC program and payments. We provided the State agency and School District A with the information requested during the exit conferences. In addition, the State agency was afforded the opportunity to ask questions or request another exit conference, but it made no such request.

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INTRODUCTION

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security Act, the Federal Government reimburses States for administrative costs necessary for the proper and efficient administration of their Medicaid State plans. In general, the Federal Government reimburses States for Medicaid administrative costs at a matching rate of 50 percent.

The Federal Government reimburses States at an enhanced matching rate of 75 percent for the compensation and training of skilled professional medical personnel and their supporting staff. Skilled professional medical personnel are physicians, dentists, nurses, and other specialized personnel who have completed 2 years of professional education and training in the field of medical care or appropriate medical practice. Skilled professional medical personnel are in positions whose duties and responsibilities require their professional medical knowledge and skills. A State-documented employer-employee relationship must exist between the Medicaid agency and the skilled professional medical personnel and directly supporting staff. Activities provided by skilled professional medical personnel must be directly related to the administration of the Medicaid program and cannot include direct medical assistance.

Missouri Medicaid Program

The Division of Medical Services (State agency) of the Department of Social Services administers Missouri's Medicaid program. The State agency employs skilled professional medical personnel and contracts with the Department of Mental Health, the Department of Health and Senior Services, and school districts to provide Medicaid skilled professional medical administrative activities¹. The State agency contracted with MAXIMUS, Inc. (MAXIMUS) to administer the Missouri School District Administration Claiming (SDAC) program.

MAXIMUS trains school districts on how to complete Random Moment Sample (RMS) forms. On a quarterly basis, the school districts submit a list of all personnel who participate in the SDAC program, including their salaries and fringe benefits for that quarter. MAXIMUS distributes the RMS forms to the school district personnel on the list. Personnel from each school district select the RMS activity codes that best describe the duties they performed during the selected random moment. MAXIMUS calculates the Federal reimbursement, on the SDAC invoice, based on personnel costs and the percentage of time spent performing skilled professional medical personnel activities. MAXIMUS then submits the SDAC invoice to the State agency.

¹We addressed State agency skilled professional medical personnel findings in a separate report (report number A-07-05-03066).

The State agency submits the SDAC invoices to Department of Social Services/Division of Budget and Finance, which consolidates the invoices and submits the information to the Centers for Medicare & Medicaid Services (CMS) for reimbursement on the standard Form CMS-64, “Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program” (CMS-64 report).

According to the Office of Management and Budget (OMB) Circular A-87, random moment sampling is a federally accepted method for tracking employees working in dynamic situations (performing many different types of activities on a variety of programs over a short period of time). Furthermore, the CMS “Medicaid School-Based Administrative Guide,” dated February 2000, acknowledges that OMB Circular A-87 allows “substitute systems,” for allocating salaries and wages to Federal awards, to be used in place of activity reports when employees work on multiple activities or cost objectives and one of the examples listed is random moment sampling.

The State agency claimed approximately \$3.5 million (Federal share) for Federal fiscal year (FY) 2003 skilled professional medical personnel administrative activities. Of that total, the 215 school districts claimed an estimated \$1.2 million (Federal share). School District A claimed \$210,448.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine if the State agency properly claimed payments for skilled professional medical personnel at the enhanced Federal funding rate for FY 2003 at the school district level.

Scope

The State agency claimed approximately \$1.2 million in enhanced Federal reimbursement for skilled professional medical personnel administrative activities at the school districts for FY 2003. We reviewed the State agency’s claim for enhanced Federal matching funds for skilled professional medical personnel.

We did not perform a detailed review of the State agency’s internal controls. We limited our internal control review to obtaining an understanding of the State agency’s policies and procedures used to claim skilled professional medical personnel costs at the school district level.

We limited our review to School District A; however we applied the review of RMS coding to all school districts. We performed fieldwork at the State Agency in Jefferson City, Missouri, and School District A between June and September 2005.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal and State requirements;
- reviewed the State agency's policies and procedures concerning skilled professional medical personnel;
- reconciled the State agency's Federal statewide Medicaid administrative claims, which consisted of SDAC invoices submitted by school districts, to supporting documentation;
- interviewed State agency employees to understand how they administered the Medicaid program statewide;
- interviewed MAXIMUS employees to understand how they administered the SDAC program statewide;
- reviewed School District A's SDAC invoices for the quarters that ended September and December 2002 to determine if the personnel and indirect costs were properly recorded;
- reviewed medical licensure and certification information to ensure School District A's employees claimed at the enhanced rate met Federal requirements;
- reviewed the position descriptions to ensure School District A's employees claimed at the enhanced rate met Federal requirements;
- interviewed skilled professional medical personnel staff at School District A to determine what activities they performed; and
- reviewed all school district RMS forms completed by employees claimed at the enhanced rate to determine if activities performed were Medicaid administrative activities.

We selected School District A based on the amount it claimed for skilled medical professional personnel during FY 2003. We limited our review to determining whether the State agency's quarterly claims for skilled professional medical personnel at the enhanced Federal matching rate 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.

We performed our audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The State agency did not properly claim payments of \$1.1 million (Federal share) for skilled professional medical personnel at the enhanced Federal funding rate for FY 2003 at the school district level. Specifically, the payments were for (1) unallowable activities included by the school districts, (2) inaccurate administrative claiming invoices included by School District A, and (3) inaccurate personnel rosters included by School District A.

The school districts included unallowable activities or activities not eligible for the enhanced rate on its RMS forms. Specifically, school district personnel selected activity codes for direct medical services, which were not Medicaid related or adequately supported, and for activities that did not require medical expertise and were performed by some personnel who did not meet the education requirement. In addition, most of the school districts improperly included indirect costs on their SDAC invoices and some improperly included other expenses.

In addition to the RMS errors, other information contained on School District A's SDAC invoices was inaccurate. School district A did not have adequate documentation to support all the personnel costs claimed on the SDAC invoices nor did all the personnel meet the employer-employee relationship requirements.

School District A's SDAC personnel rosters were inaccurate. The personnel rosters contained duplicated personnel costs and personnel who did not meet the education requirement for skilled professional medical personnel. The school district also submitted estimated personnel costs rather than actual costs and did not have support to show that it offset Federal funding from other sources. The State agency did not have sufficient policies and procedures to adequately monitor SDAC invoices submitted by participants for the SDAC program. As a result, the State agency received Medicaid funding overpayments in the amount of \$1,065,655 (Federal share) for FY 2003 for school district claims.

UNALLOWABLE ACTIVITIES INCLUDED BY THE SCHOOL DISTRICTS

Improper Random Moment Study Forms²

The administrative time claimed by school districts did not always reflect appropriate skilled professional medical personnel activities nor were all of the activities adequately supported. Consequently, the school districts were overpaid by \$877,809. School districts statewide completed 168³ RMS forms for FY 2003 of which 163 were inaccurate. The remaining five RMS forms were allowed at the enhanced rate.

²We did not include the disallowance for School District A in this section because errors in personnel costs caused the need for the invoice to be recalculated prior to determining the disallowance based on RMS coding errors. We will address School District A's disallowance for improper RMS forms claimed in the next section of the report.

³The 168 RMS forms represent 5 quarters that ended in December 2001, March 2002, June 2002, September 2002, and December 2002. Originally there were 171 RMS forms for the 5 quarters; however, one RMS form was missing for the March 2002 quarter and two RMS forms were improperly used in the count for the December 2002 quarter.

Random Moment Sampling Forms Reviewed

Total Amount Allowable	5
Allowed at 50 percent	45
Disallowed 100 percent	118
Total RMS Forms Reviewed	168

Federal regulations (42 CFR § 432.50(a)) state that: “FFP [Federal Financial Participation] is available in expenditures for salary or other compensation, fringe benefits, travel, per diem, and training, at rates determined on the basis of the individual’s position, as specified in paragraph (b) of this section.” Paragraph (b)(6) states that: “For all other staff of the Medicaid agency or other public agencies providing services to the Medicaid agency, and for training and other expenses of volunteers, the rate is 50 percent.” However, paragraph (b)(1) states that: “For skilled professional medical personnel and directly supporting staff of the Medicaid agency or of other public agencies (as defined in § 432.2), the rate is 75 percent.” According to paragraph (d)(1), the enhanced rate of 75 percent is available to skilled professional medical personnel and directly supporting staff if the following criteria are met: (i) The expenditures are for activities that are directly related to the administration of the Medicaid program, and as such do not include expenditures for medical assistance.

CMS’s 1997 “Medicaid and School Health: A Technical Assistance Guide” (Guide) states that: “Expenses cannot be claimed as administration if they are an integral part or extension of a direct medical or remedial service, such as patient follow-up, patient assessment, patient education, counseling, development of the medical portion of an [Individualized Education Plan] . . . , or other physician extender activities.” The Guide further states that: “Payments for allowable administrative activities must not duplicate payments that have been or should have been included and paid as part of a rate for services, part of a capitation rate, or through some other state or Federal program.” “The State would provide and maintain appropriate documentation and assurances that claims to [CMS] for administrative activities are not duplicative of other claims or payments.”

OMB Circular A-87, Attachment A, part C(1), states that costs must “(a) Be necessary and reasonable for proper and efficient performance and administration of Federal awards,” “(b) Be allocable to Federal awards,” and “(j) Be adequately documented.”

Based on the review of 168 RMS forms, 118 of the claims were unallowable because the activities were direct medical services or extensions of direct medical services, or because the activities were not Medicaid related or adequately supported. Examples include providing first aid for injury sustained at recess, conducting a physical therapy session with a student, completing an initial Individualized Education Plan, and interpreting in computer class for a student. Another example is that the personnel did not provide a description of the activity performed.

We reduced the claims for 45 of the 168 RMS forms to 50 percent because activities did not require medical expertise, personnel did not meet the education requirement, or the activities were not clearly documented. Examples of comments written on RMS forms include assisting parent/student in process of accessing health insurance and discussing with a counselor the plans to address a second grader's educational and health needs following surgery. In addition, a Parent-School Liaison Manager referred a student for clinical social worker services. Some RMS forms did not provide enough information to support the activity selected. For example, one form was incomplete stating the SPMP was "reviewing the results of an evaluation at a staffing for"; the rest of the statement was blank.

The Missouri Medicaid SDAC "Procedures for Missouri Schools" (SDAC manual) states that: "The [RMS] observation form also contains a comment line upon which sampled staff provide a brief, written description of what they are doing. The written description, assumed to be more accurate than the 'check box', is compared to the activity box that was checked to confirm that the two data elements are consistent with one another."

Improper Costs

Most school districts claimed indirect costs⁴ at the enhanced Federal funding rate. However, according to 42 CFR § 433.15(b)(7), the Federal Government will pay 50 percent of the costs of "All other activities the Secretary [of the U.S. Department of Health and Human Services] finds necessary for proper and efficient administration of the State plan." According to the SDAC manual, allowable other expenses are expenditures from the school district's general fund, such as purchased property services, materials, supplies, and property. The SDAC invoices include other expenses along with salary and fringe benefit for expenditures, which were claimed at the enhanced rate. Consequently, the school districts were overpaid \$2,698 for indirect costs.

SCHOOL DISTRICT A's INACCURATE ADMINISTRATIVE CLAIMING INVOICES

Unsupported Personnel Costs

MAXIMUS submitted to the State agency approximately \$1 million more in claims for personnel costs than School District A reported to MAXIMUS, which overstated the school district's personnel costs. Neither MAXIMUS nor School District A could explain or support the difference in claims. By overstating the personnel costs, School District A was overpaid \$101,688 (Federal share).

OMB Circular A-87, Attachment A, part C(1), states that costs must "(j) Be adequately documented."

⁴We did not include School District A's indirect costs for quarter that ended December 2002 in this section for the same reason as in footnote 2. Federal regulations state that FFP is available in expenditures for salary or fringe benefits i.e. direct costs at rates determined on the basis of an individual's position.

Employer-Employee Relationship

School District A claimed personnel costs for one person who did not have an employer-employee relationship with the school district. School District A contracted with a health service provider to deliver professional physical and speech therapy services. According to the contract, the provider was an independent contractor, not an employee of the school district. The contract also stated that employees, subcontractors, agents, and servants of the independent contractor are not employees, subcontractors, agents, or servants of the school district. Therefore, School District A was overpaid \$1,868.

Federal regulations (42 CFR § 432.50(d)(1)(iv)) states that “A State-documented employer-employee relationship exists between the Medicaid agency and the skilled professional medical personnel and directly supporting staff.”

Improper Random Moment Study Forms

As reported in the previous section, “Unallowable Activities Included By The School Districts - Improper Random Moment Study Forms,” school districts claimed administrative time that did not always reflect appropriate skilled professional medical personnel activities; the school districts also did not adequately support all of the activities. We removed School District A’s SDAC invoice for the quarter that ended December 2002 from the statewide RMS calculation due to the unsupported personnel costs and because one contracted person was not an employee of the school district. We recalculated the SDAC invoice using the revised personnel costs derived from the two errors to determine the disallowance for School District A’s portion of the improper RMS forms claimed and the disallowance of claimed indirect costs at the enhanced rate. School District A was overpaid \$81,242 based on improperly completed RMS forms. In addition, School District A was overpaid \$350 for indirect costs.

SCHOOL DISTRICT A’S INACCURATE PERSONNEL ROSTERS

Duplicated Personnel

School District A submitted to MAXIMUS 32 instances of multiple claims for the same personnel costs on the SDAC rosters for the quarters that ended September and December 2002. In some instances, the personnel costs claimed for the duplicated employees were inconsistent within the same quarter. MAXIMUS deleted the duplicated personnel costs in 17 of the 32 instances. Neither MAXIMUS nor School District A was able to supply documentation to demonstrate that the appropriate personnel costs were deleted from the personnel rosters nor could they support that the remaining 15 instances not accounted for were correct. Because we were unable to determine the correct personnel costs, we were unable to quantify the impact of this error.

OMB Circular A-87, Attachment A, part C(1), states that costs must “(a) Be necessary and reasonable for proper and efficient performance and administration of Federal awards . . .”

The Guide further states that: “Payments for allowable administrative activities must not duplicate payments that have been or should have been included and paid as part of a rate for services, part of a capitation rate, or through some other state or Federal program.” “The State would provide and maintain appropriate documentation and assurances that claims to [CMS] for administrative activities are not duplicative of other claims or payments.”

Inadequate Support to Prove Medical Education

Of the 87 employees listed on the personnel roster as skilled professional medical personnel, School District A did not maintain adequate documentation to prove that 47 employees met the education requirements of skilled professional medical personnel.

OMB Circular A-87, Attachment A, part C(1), states that costs must “(j) Be adequately documented.”

School District A did not have evidence to substantiate that 44 of the 47 employees met the education requirements necessary to qualify as skilled professional medical personnel. The 44 employees included speech/language therapists, occupational therapists, physical therapists, and registered nurses.

In addition, three employees did not meet the education requirement. The three employees included two physical therapists and a parent/student liaison manager. However, 46⁵ of the 47 employees did not select any skilled professional medical personnel activities on the RMS; therefore, we did not disallow any portion of the claims.

Pursuant to Federal regulations (42 CFR § 432.50(d)(1)), the enhanced rate of 75 percent is available to skilled professional medical personnel and directly supporting staff if the following criteria are met: (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 possession of a medical license [or] certificate.

Use of Average Personnel Costs Rather Than Actual Personnel Costs

School District A used the average of the annual salary per quarter rather than the actual personnel costs incurred to calculate the SDAC invoice for the quarter ended December 2002. In addition, we could not determine from the documentation supplied if School District A used actual personnel costs to calculate the SDAC invoice for the quarter that ended September 2002.

⁵One employee did select a skilled professional medical personnel activity. We reduced the school district’s claim under the discussion of “Improper RMS Forms.”

Because we were unable to determine the correct personnel costs, we were unable to quantify the impact of not using the actual costs.

The CMS “State Medicaid Manual,” section 2500.5(A)(12), instructs States to: “Use the Form [CMS]-64.10 to report current period State and Local Administration expenditures of the Medical Assistance program. Report only expenditures for which supporting documentation, in readily reviewable form, has been compiled and is immediately available. Do not report estimated amounts.”

Revenue Offsets

School District A paid a percentage of 39 employees’ salaries with other Federal funding for the quarters that ended September and December 2002, according to documentation supplied by School District A.⁶ Neither MAXIMUS nor School District A was able to supply adequate documentation to indicate whether (1) personnel costs from other Federal funding sources were deducted from the reimbursement calculation, (2) the correct Federal funding percentage from other sources was used, or (3) the correct personnel were listed on the personnel roster. Because we were unable to determine the correct personnel costs, we were unable to quantify the impact of this error.

OMB Circular A-87, Attachment A, part C(1), states that costs must “(j) Be adequately documented.” The Circular part C(3)(c) states in part that: “Any cost allocable to a particular Federal award or cost objective under the principles provided for in the Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.”

STATE AGENCY DID NOT ADEQUATELY MONITOR MEDICAID ADMINISTRATIVE CLAIMING

The State agency did not have sufficient policies and procedures to adequately monitor SDAC invoices submitted by the school districts. Specifically, it did not review supporting documentation to ensure that only Medicaid administrative activities were claimed. In addition, the State agency did not conduct in depth reviews to ensure the accuracy of personnel rosters, cost pools, and SDAC invoices.

EFFECT OF UNALLOWABLE CLAIMS PAID AT THE ENHANCED RATE

Because the State agency did not properly claim payments for skilled professional medical personnel at enhanced Federal funding rates, it received \$1,065,655 (Federal share) in overpayments for FY 2003 for school district claims. (See the table on next page.)

⁶The 39 employees were identical for both quarters as was their percentage of Federal funding from other sources.

Table: FY 2003 Unallowable Activities

Claiming Unit	Amount of Unallowable Activity	Reason for Disallowance
All School Districts	\$877,809	⁷ Improper RMS forms
All School Districts	2,698	⁷ Improper costs-indirect costs
School District A	101,688	Unsupported personnel costs
School District A	1,868	Employee did not meet the employer-employee relationship
School District A	81,242	Improper RMS forms
School District A	350	Improper costs-indirect costs
Total Disallowance	\$1,065,655	

RECOMMENDATIONS

We recommend the State agency refund \$1,065,655 to the Federal Government and strengthen policies and procedures to more closely monitor the SDAC program and payments, including in depth reviews at the school district level. We also recommend the State agency review all the school districts FY 2003 SDAC cost pools and invoices to ensure accuracy and remit any overpayments to the Federal Government. Specifically the State agency should:

- ensure that direct medical services are claimed at the Federal Medical Assistance Percentage rate and not the enhanced administrative rate,
- review licensure information for individuals classified as a skilled professional medical personnel listed in all the school districts’ cost pools to ensure that they meet the educational requirements, and
- review all SDAC invoices paid in FY 2003 to ensure that other expenses only includes allowable expenditures for the enhanced reimbursement.

We also recommend that the State agency review and recalculate School District A’s FY 2003 invoices to determine the correct amount of reimbursement and remit any overpayments to the Federal Government. Specifically, the State agency should:

- ensure that duplicate personnel costs are removed,
- ensure that all employees claimed as skilled professional medical personnel meet Federal education requirements, and
- review the payroll system to determine which personnel costs are paid through other Federal funding sources and offset the revenue.

⁷Does not include School District A’s disallowance amount.

STATE AGENCY'S COMMENTS

The State agency disagreed with the majority of the recommendations. The State agency stated that it “was not provided the information used by [Office of Inspector General] to support the findings. Without the information regarding the reasons why specific elements of the claim were disallowed, the State of Missouri is at a distinct disadvantage in preparing this response.”

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

OFFICE OF INSPECTOR GENERAL’S RESPONSE

We continue to believe the State agency should refund the \$1,065,655 to CMS and strengthen policies and procedures to more closely monitor the SDAC program and payments. We provided the State agency and School District A with the information requested during the exit conferences. In addition, the State agency was afforded the opportunity to ask questions or request another exit conference, but it made no such request.

IMPROPER RANDOM MOMENT STUDY FORMS

State Agency’s Comments

The State agency disagreed with the recommendation to ensure that direct medical services are claimed at the proper rate. It stated that there are no direct medical services in the SDAC program. The State agency contended that its documentation was “misinterpreted by the auditors,” and suggested that the Office of Inspector General was applying the guidelines of the May 2003 CMS guide to activities that occurred prior to May 2003.

The State agency “disputes the finding that only five RMS forms are ‘accurate.’ [The State Agency] contends the cause of the findings, and the differences in opinion . . . is the incorrect application of the claiming guide used to administer the SDAC program during the first two months of FY 2003.” “For example, citing as unallowable the completion of an [Individualized Education Plan], is not and should not have been considered a non-claimable activity until after the issuance of the May 2003 Centers for Medicare and Medicaid Services (CMS) guide.”

Office of Inspector General’s Response

We continue to recommend that the State agency refund the \$877,809 due to improper RMS forms. We also continue to recommend that the State agency review all SDAC invoices paid in FY 2003 to ensure that direct medical services are properly claimed. We used CMS’s 1997 “Medicaid and School Health: A Technical Assistance Guide” (Guide) which states that: “Expenses cannot be claimed as administration if they are an integral part or extension of a direct medical or remedial service, such as patient follow-up, patient assessment, patient education, counseling, development of the medical portion of an [Individualized Education Plan] . . . , or other physician extender activities.”

IMPROPER COSTS

State Agency's Comments

The State agency agreed to the recommendation that it review all SDAC claims paid in FY 2003 to ensure that other expenses only included allowable expenditures for the enhanced reimbursement. The State agency stated it reviewed invoices for the audited quarters and identified some possible discrepancies concerning "other expenses" that were reimbursed at the enhanced rate. The State agency stated that "if required, our contractor will adjust each of the claims in question for these quarters on subsequent claim submissions, but [the State agency] feels the cost impact is immaterial."

Office of Inspector General's Response

We continue to recommend that the State agency refund the \$3,048 to the Federal Government for those school districts, including School District A, that received enhanced funding for indirect costs.

SCHOOL DISTRICT A's UNSUPPORTED PERSONNEL COSTS

State Agency's Comments

The State agency stated that a fire in a record-keeping facility had seriously compromised School District A's personnel files. According to the State agency, the difficulties in reconstructing those files caused School District A to inadvertently under-report its cost information, based on old salaries. The State agency thus asserted that it "could not determine where the overstatement occurred based on the salaries and benefits report submitted by School District A and used by our contractor to prepare the September and December 2002 claims."

In addition, the State agency requested that it be given the opportunity to re-file School District A's claim due the fact that estimated costs were reported, which understated the December 2002 claim by \$3.5 million. The State agency stated that "if the two-year filing window has closed then [the State agency] formally objects to this finding on the basis that personnel costs as accepted by the auditor are supported, the personnel for which costs are reported are appropriate to participate, and the appropriate federal offsets were made."

Office of Inspector General's Response

We continue to recommend the State agency refund the \$101,688 to the Federal Government due to unsupported personnel costs. The \$1 million difference between the personnel costs reported by the School District and MAXIMUS was not adequately supported as required by OMB Circular A-87, Attachment A, Part C(1). Only CMS can determine whether it is appropriate for School District A to re-file the December 2002 cost report. We have not reviewed the revised cost report and cannot attest to its accuracy.

SCHOOL DISTRICT A's EMPLOYER-EMPLOYEE RELATIONSHIP

State Agency's Comments

With respect to the provider of physical and speech therapy services, the State agency stated that "School District A admits that the individual in question should have been listed as a contracted employee on the SDAC roster instead of as a school district employee." However, the State agency explained that the Missouri SDAC guide states "contracted employees who participate in SDAC activities will be included in the cost pool."

Office of Inspector General's Response

We continue to recommend that the State agency refund \$1,868 to the Federal Government because personnel costs were claimed for a contracted employee. The Missouri SDAC guide is guidance provided by the State agency to the school districts and contradicts Federal regulations in this instance. According to 42 CFR § 432.50(d)(1):

The rate of 75 percent [Federal Financial Participation] is available for skilled professional medical personnel and directly supporting staff of the Medicaid agency if the following criteria, as applicable, are met: (iv) A State-documented employer-employee relationship exists between the Medicaid agency and the skilled professional medical personnel and directly supporting staff.

SCHOOL DISTRICT A's IMPROPER RANDOM MOMENT STUDY FORMS

State Agency's Comments

The State agency "believes there are not any inaccuracies since the [RMS] forms are correct to the policy in effect [during the audit period]." School District A staff completed two RMS forms during the audit period from which claims were generated at the enhanced rate.

- The State agency stated that a time study participant completed a revised RMS form in which she selected a non-skilled professional code.
- The State agency explained that the SDAC Procedures Guide stated that physical therapy, and speech-language pathology care planning and coordination, were allowable skilled professional medical personnel job functions.

In addition, the State agency stated it "would like further clarification of the methodology used by [Office of Inspector General] in determining this error as [it] appears the reported errors on these two RMS forms are being counted against the state twice in the request for repayment."

Office of Inspector General's Response

We continue to recommend that the State agency refund \$81,242 to the Federal Government. We agree that the participant changed her selection on the first RMS form to a non-enhanced code. However, according to documentation provided by MAXIMUS, it counted the RMS response as skilled professional medical personnel activity. The speech-language therapist, who completed the second RMS form in question, stated she was assessing Individualized Education Plan goal performance for students. Assessing Individualized Education Plan goal performance is a direct service and is, therefore, unallowable.

We separated the School District A's RMS forms from the statewide forms because of the other errors associated with the school district's claims. We calculated the effect concerning the inaccurate RMS forms using the statewide RMS response count. Therefore, in terms of both the number of inaccurate RMS forms and the monetary recommendation, we only counted School District A's RMS responses once.

SCHOOL DISTRICT A's DUPLICATED PERSONNEL

State Agency's Comments

The State agency disagreed with the recommendation that it ensure duplicate personnel costs are removed from School District A's invoices. The State agency requested that the entire finding and recommendation be removed from the audit report because some individuals had transferred between schools and/or programs. The school district used a different fund and function code for each school in which the individual worked. In the State agency's judgment, these transfers created a recordkeeping situation in which these individuals only "appeared [emphasis added] to be duplicated employees."

Office of Inspector General's Response

We continue to recommend that the State agency review and recalculate School District A's FY 2003 invoices, to determine the correct amount of reimbursement for any personnel costs that were duplicated, and that it then remit any overpayments to the Federal Government. According to the cost reports, there were 32 instances in which the school district listed personnel costs twice for individuals who worked only at one school, and who did not transfer between schools or programs. We provided School District A staff a listing of the 32 of the duplicate personnel costs after the exit conference, and received no evidence that the personnel costs were not duplicated.

SCHOOL DISTRICT A's INADEQUATE SUPPORT TO PROVE MEDICAL EDUCATION

State Agency's Comments

The State agency believed it met the requirements for recommendation to review licensure information for individuals classified as skilled professional medical personnel listed in all the school districts' cost pools. The State agency stated that "the Human Resources Department of School District A verified the employees met the licensure and certification requirement of both the school district and the State of Missouri's [Department of Elementary and Secondary Education]." The State agency also used the December 2001 SDAC manual to determine whether employees met the education requirements. It stated that the SDAC guide allowed individuals who did not possess a "medical degree," but had received extensive course work at an advanced level and had a certification to support the education, to meet the two year education requirement. Finally, the State agency stated that "without specific support for the [Office of Inspector General] findings, including why each of the 44 of 47 employees in District A were disallowed, [the State agency] is not able to respond to this finding and requests that it be removed."

Office of Inspector General's Response

We continue to recommend that the State agency review licensure information for individuals classified as skilled professional medical personnel listed in all the school districts' cost pools to ensure that they meet Federal educational requirements. Pursuant to 42 CFR § 432.50(d)(1), the enhanced rate of 75 percent is available to skilled professional medical personnel and directly supporting staff if the following criteria are met: (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 possession of a medical license or certificate.

We contacted the Missouri Board for each skilled medical profession claimed by the school district to determine what education levels were required to obtain a license in that field. According to the Missouri Board, training and experience is not adequate to meet the educational requirements. With respect to the "specific support" the State agency referenced in its response, we provided School District A staff a listing of the 44 employees it classified as skilled professional medical personnel, but for which we were unable to obtain a Missouri license or certification. We also provided a listing of three employees who did not meet the educational requirements. Two physical therapists had associates' degrees in unrelated fields and therefore, were not licensed in Missouri as physical therapist assistants. The third employee was a parent/student liaison manager with a bachelor's degree in English. The school district was unable to provide the necessary licenses or certifications.

SCHOOL DISTRICT A’S USE OF AVERAGE PERSONNEL COSTS RATHER THAN ACTUAL PERSONNEL COSTS

State Agency’s Comments

The State agency “agrees that the data provided by School District A to the auditors were in fact annual salaries and benefits divided by four.” There was a fire at the school district that destroyed all the original data. “When School District A’s system was recreated, the computer program did not pull the salaries for the . . . school year, but reverted to the old salaries.” As previously stated, the school district understated salaries and benefit costs by \$3.5 million. The State agency requests that they be allowed to submit the revised claim and have the underpayment applied to the disallowance mentioned in the “Effect” section of the report.

Office of Inspector General’s Response

We commend the State agency on revising School District A’s cost report. However, we have not reviewed the cost report and cannot attest to its validity.

SCHOOL DISTRICT A’S REVENUE OFFSETS

State Agency’s Comments

The State agency stated that “School District A’s cost data clearly identifies all Federally funded staff and the appropriate percentage of time applicable to Federal funds is listed on the report for each applicable employee.” Accordingly, the State agency “requests that the entire finding and recommendation be removed from the audit report.”

Office of Inspector General’s Response

We agree that School District A’s cost report lists employees for which a portion of the personnel costs were federally funded. However, the school district could not provide supporting documentation to ensure the accuracy of the federal percentage or to clarify whether the personnel costs were reduced by the federal percentage. Therefore, we continue to recommend that the State agency review the school district’s payroll system to determine which personnel costs are paid through other Federal funding sources, and then offset the revenue.

STATE AGENCY DID NOT ADEQUATELY MONITOR MEDICAID ADMINISTRATIVE CLAIMING

State Agency’s Comments

The State agency did not directly comment on the recommendation that it strengthen policies and procedures to more closely monitor the SDAC program and payments. Instead, the State agency outlined the procedures and quality controls that MAXIMUS had in place during the audit period and a few of the reviews that the State agency performs. The State agency’s Program Integrity Unit reviews six percent of the RMS results to determine if comments reflect an understanding

of the time study form and the activity code is reasonable. The State agency's Financial Services Unit reviews the MAXIMUS invoice to ensure the proper indirect cost rate was used and that the RMS data was correct, the reported costs appeared reasonable in comparison to previous quarters, and the calculations were completed correctly. The State agency contended that "In summary, [the State agency] and its contractor had in place detailed procedures for monitoring SDAC data used as well as ensuring the accuracy of the invoices."

Office of Inspector General's Response

The Program Integrity Unit informed us that, during the review of RMS data, it normally finds the activity descriptions do not match the selected code. This statement coincides with our review of the RMS results. If the State agency maintained better oversight concerning the SDAC program, the errors concerning School District A's invoices might have been identified by the State agency. Therefore, we continue to recommend that the State agency strengthen policies and procedures to more closely monitor the SDAC program and payments.

OTHER MATTERS: OTHER RANDOM MOMENT STUDY ERRORS

According to the SDAC manual, data accumulation, maintenance, and validation are the responsibility of the State agency and school districts. Any RMS forms that are marked inconsistently should be returned to the person who originally completed the form for the necessary corrections.

In addition, MAXIMUS performs a quality assurance review of all RMS forms prior to processing the forms. We found multiple errors, which MAXIMUS should have identified during the quality assurance review. The following are examples of errors we identified with the RMS forms completed by school district employees: (1) duplicated forms with one form having the enhanced code marked and the other having the enhanced code crossed out and a non-billable code marked and initialed, (2) selected the enhanced code, along with two or more codes selected and scratched out with no initial, and (3) selected a non-enhanced code, but counted as an enhanced activity. MAXIMUS included RMS forms with errors to determine the percentage of skilled professional medical personnel activities performed statewide.

APPENDIX



**MISSOURI
DEPARTMENT OF SOCIAL SERVICES**

P. O. BOX 1527
BROADWAY STATE OFFICE BUILDING
JEFFERSON CITY
65102-1527
TELEPHONE: 573-751-4815, FAX: 573-751-3203

MATT BLUNT
GOVERNOR

K. Gary Sherman
DIRECTOR

RELAY MISSOURI
for hearing and speech impaired
TEXT TELEPHONE
1-800-735-2966
VOICE
1-800-735-2486

July 28, 2006

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

Dear Mr. Cogley:

This is in response to the draft report, titled "Medicaid Payments for Skilled Professional Medical Personnel to Missouri School Districts", dated June 23, 2006. The report is in regards to the audit of Missouri's Medicaid payments for skilled professional medical personnel (SPMP) to Missouri school districts under the School District Administrative Claiming (SDAC) program. Since the Missouri Division of Medical Services (DMS) abandoned the use of the SPMP federal funding rate for school districts in January 2003, only invoices submitted to DMS during the first quarter of Federal Fiscal Year (FFY) 2003 should be considered for the correct application of the rate. In conducting an analysis and providing a response to Office of Inspector General (OIG) related to the draft report findings, DMS was not provided the information used by OIG to support the findings. Without the information regarding the reasons why specific elements of the claim were disallowed, the State of Missouri is at a distinct disadvantage in preparing this response. OIG reports findings of inadequate documentation but DMS is not aware of the documentation standard employed by OIG.

While DMS agrees that direct services should not be claimed under the program and that educational requirements must be met to claim the enhanced rate, DMS is left at a significant disadvantage in responding with "specific reasons for nonoccurrence" as DMS has not been provided the specific items which OIG disallowed.

Additionally, the OIG has converted the impact of the Random Moment Sample (RMS) forms which are contended to be in error into a specific monetary disallowance. However, OIG neither discusses the methodology used nor provides any support for the specific monetary disallowance related to the unallowable activities.

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services provided on a nondiscriminatory basis

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DMS requests that detailed information be provided so that DMS may provide the OIG with an informed response and an effective set of corrective actions if necessary.

In the absence of the support being provided by OIG, DMS has prepared the following responses to each of the findings.

Objective, Scope, and Methodology:

The stated objective of the OIG draft report was to determine if DMS properly claimed payments for SPMP at the enhanced Federal funding rate for FY 2003 at the school district level.

As to the scope of the draft report, OIG states that DMS claimed approximately \$1.2 million in enhanced Federal reimbursement for skilled professional medical personnel administrative activities by the school districts during fiscal year (FY) 2003. OIG stated they reviewed the DMS claim for the matching funds for these SPMPs at the enhanced rate.

Furthermore, the OIG draft report states there was not a detailed review of the internal controls which DMS had in place at the time. The review was also limited to School District A, yet the OIG also applied the review of the RMS coding for SPMPs to all participating school districts.

Response: DMS believes there were some inconsistencies found in the report and have included all of our objections to the auditors' report in the order that they appeared. DMS believes these inconsistencies should warrant additional supporting documentation or explanation from the OIG to assist DMS in understanding what exactly constituted the errors.

The last paragraph of page 2 of the report is not stated correctly. It states "We limited our review to School District A". This statement is made with regard to the review and ultimate findings noted as improper RMS Forms. If limited to only School District A, the audit report would reflect only two SPMP RMS forms applicable to School District A not the 168 forms cited in the audit. The 168 forms stated in the audit represent the total number of SPMP RMS forms invoiced by all participating districts during FY 2003. The auditor conducting the initial request for information phase requested all SPMP forms applicable to School District A. Our contractor complied and submitted the two forms applicable to District A. The auditor communicated to the contractor that the two forms were not sufficient to conduct his review and subsequently requested 100% or 168 of the SPMP forms. Our contractor complied and submitted all 168 of the forms to the auditor. Therefore the review consisted of a 100% review of the SPMP pool applicable to all 215 districts, not just District A.

Improper Random Moment Study (RMS) Forms

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According to the draft report, 163 out of 168 RMS forms completed for FY 2003 were inaccurate. Some of the inaccuracies were due to activities being a direct medical service, extension of direct medical service, or not Medicaid related. Other forms were disallowed because the individuals surveyed did not meet the education requirement, did not require medical expertise, or the activities were not adequately documented.

Response: DMS disputes the finding that only five RMS forms are "accurate." DMS contends the cause of the findings, and the differences in opinion listed above, is the incorrect application of the claiming guide used to administer the SDAC program during the first two months of FY 2003. DMS bases this response on the premise that the five examples detailed in the last paragraph of page five of the draft report may indeed be examples of disallowable claims. DMS does not have enough documentation to know if the examples apply to Missouri Medicaid

For example, citing as unallowable the completion of an IEP, is not and should not have been considered a non-claimable activity until after the issuance of the May 2003 Centers for Medicare and Medicaid Services (CMS) guide.

Additionally on this matter, many of the interpretations made during the audit regarding entirely disallowing an SPMP activity or reclassifying the activity as 50% reimbursable must be inaccurate as well. DMS believes, as does our contractor, that the improper application of the May 2003 CMS Guide to the FY 2003 (September 2002 and December 2002) aside, many of the forms DMS reviewed must have been misinterpreted by the auditors.

DMS believes that the May 2003 Guide was used for review. However, these activities occurred prior to May 2003.

DMS also believes that the auditors were not fully aware of Missouri licensing and certification of what DMS consider SPMP staff. According to the December 2001 version of the Missouri Medicaid School District Administrative Claiming (SDAC) guide for Missouri schools, as developed in consultation with and approved by CMS, then the Health Care Financing Administration (HCFA), state standards are to be considered in determining whether school staff qualifies as SPMPs.

DMS also found six instances where the SPMP code was scratched out and another code was selected, yet these forms were still apparently marked as in error. These forms were inadvertently included in the sample provided to the auditor.

As previously stated, DMS is at a distinct disadvantage to dispute the auditors' finding without knowing their determination of each form. DMS welcomes information sharing in order to ensure the most accurate representation of our program regardless of a positive or negative monetary outcome. DMS formally objects to the findings contained in the audit report. DMS welcomes the opportunity to discuss and review the documentation that warranted the audit findings.

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Improper Costs

According to the draft report, most school districts claimed indirect costs at the enhanced Federal funding rate of 75%. The SDAC Invoices contained some expenses at the enhanced rate which were listed as "other." According to Federal regulations, "other expenses" will be reimbursed at the lower rate of 50% if they are "necessary for proper and efficient administration of the State plan."

Response: In reviewing the 189 invoices for the July-September 2002 and the October-December 2002 quarters, the State found 76 of them to contain reimbursements for "other expenses" at the enhanced rate. After calculating the amount requested for reimbursement of these "other expenses" and comparing reimbursement at both the enhanced rate of 75% versus the lower rate of 50%, DMS found some possible discrepancies.

Per the November 21, 2002 State Medicaid Directors' letter from CMS, the enhanced Federal matching rate of 75% for administrative activities performed by SPMP school staff was no longer available as of January 1, 2003. If required, our contractor will adjust each of the claims in question for these quarters on subsequent claim submissions, but DMS feels the cost impact is immaterial.

School District A's Unsupported Personnel Costs

According to the draft report, MAXIMUS submitted approximately \$1 million more in personnel costs to the state than the Kansas City School District submitted to MAXIMUS.

Response: According to information received from the Kansas City School District, a fire in the office that houses their record-keeping unit caused severe damage to their computers which seriously compromised the district's personnel files. When the files were recreated, the computer program did not pull the new salaries, but reverted to the old salaries. The actual salaries for the time period were under-reported by the Kansas City School District by almost \$3.8 million. However, the district did not submit an amended invoice for that period and under timely filing guidelines lost the ability to claim the additional income. The school district provided this information to the auditor. However, the district was told by the auditor that he could not accept the data because it was not used to prepare the claim submitted to DMS.

DMS could not determine where the overstatement occurred based on the salaries and benefits report submitted by School District A and used by our contractor to prepare the September and December 2002 claims. The total salaries and benefits for September 2002 as detailed by employee in the cost data submitted was \$10,752,994. The fringe benefits for the same period and detailed by employee totaled \$1,759,063. Both of these amounts can be tied to the paid September 2002 SDAC claim filed and paid by DMS. For the December 2002 claim,

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the total salaries and benefits submitted was \$10,204,426.22. The fringe benefits for the same period and detailed by employee totaled \$1,667,099.22. Further, all federal funds were identified and reduced accordingly and functional distributions applicable to staff who are allocated across multiple job functions were verified.

The non-acceptance of this revised report by the auditor is confusing since the Summary of Findings and Recommendations (pg. iii) recommends that DMS review and report accurately the personnel costs of District A as well as all other participating districts, revise the claims and submit any overpayments to the Federal Government.

Therefore, DMS would have to object to this adjustment and request that DMS be given the opportunity to re-file School District A's claim due to the fact that estimated costs were reported primarily due to the fire that occurred and destroyed the original document. The district filed the claim in question with "estimated" costs and subsequently recovered actual cost data applicable to this period. The impact of the revised and actual cost report for the September 2002 quarter actually understates the allowable costs for the period by over \$3.5M. Although this information was provided to the audit team it was not accepted. The reason given to District A was that the window to revise or file claims had closed.

DMS contends that the audit report clearly requests DMS to analyze any and all claims for accurate personnel costs and that any overpayment should be remitted to the Federal government. If so, DMS is requesting that the actual District A cost data be submitted, the claim revised, and the underpayment be approved for payment to District A.

If the two-year filing window has closed then DMS formally objects to this finding on the basis that personnel costs as accepted by the auditor are supported, the personnel for which costs are reported are appropriate to participate, and the appropriate federal offsets were made.

School District A's Employer-Employee Relationship

According to the draft report, School District A contracted with a health service provider to deliver professional physical and speech therapy services. The contract bears the district and the health service provider indicated that the relationship was that of an independent contractor, not employer-employee.

Response: School District A admits that the individual in question should have been listed as a contracted employee on the SDAC roster instead of as a school district employee. However, on page 29 of the December 2001 version of Missouri's SDAC guide ..."contracted employees who participate in SDAC activities will be included in the cost pool."

School District A's Improper RMS Forms

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According to the draft report, the Kansas City School District submitted two RMS forms in which the participants selected the SPMP code but the activity was not allowable at the enhanced rate. Also a non-skilled professional medical personnel completed the form.

Response: School District A received a total of two forms during all of FY 2003 which would have been generated between December 2001 and December 2002. This is due to the averaging of the RMS results for the September 2002 quarters utilizing the prior three quarters results. Therefore, DMS does not understand the removal of District A's invoice from the statewide calculation comment. DMS would like further clarification of the methodology used by OIG in determining this error as it appears the reported errors on these two RMS forms are being counted against the state twice in the request for repayment.

In the DMS review of the RMS forms for this period, one of the two forms from the Kansas City School District was found to have actually chosen a different code from the SPMP code. On that form, the individual initially chose the SPMP code, then scratched it out and selected a different code. The change was not initialed according to proper procedure; however, the finding that this was an instance of using the SPMP improperly is disputed. Since the form was apparently provided in error, it should not have been included in the review.

Additionally, per the SDAC Procedures Guide of December 2001, as developed in consultation with and approved by CMS, then HCFA, which was in place at the time covered by the audit; physical, occupational therapy, and speech-language pathology care planning and coordination are given as examples of allowable SPMP job functions. Also, the Guide states that state standards, "...especially Department of Elementary and Secondary Education (DESE) certification may be accepted as well as State Licensure." Therefore, DMS believes there are not any inaccuracies since the forms are correct according to the policy in effect at that time.

School District A's Duplicated Personnel

According to the draft report, 36 instances were found in the Kansas City School District report to MAXIMUS of duplicated personnel costs for the quarters ending in September and December 2002.

Response: This review was based on FFY 2003 which began October 2002. According to School District A, the other cost pool staff cited by OIG were individuals being paid from multiple funding codes and sources during the quarter. Some of the individuals had transferred between schools and/or programs. Since each school and each program have their own funding code, they appeared to be duplicated employees.

Our contractor met with the auditor on this issue and provided the support requested during the on-site review. The duplicate entries were all found to be split funded personnel. This is evident by the fund and function codes assigned to each

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personnel making up School District A's employee roster. DMS sees no mention of this discussion and justification in the audit report.

DMS requests that the entire finding and recommendation be removed from the audit report.

School District A's Inadequate Support to Prove Medical Education

According to the draft report, there were 87 employees listed on School District A's personnel rosters as SPMP. Of these 87 employees, OIG determined that the school district did not maintain adequate documentation to support the SPMP designation for 47 employees.

Response: DMS concurs that individuals claiming the enhanced match for SPMP services must meet the medical education requirements. However, it is unclear what standard OIG applied to determine medical education.

The Human Resources Department of School District A verified the employees met the licensure and certification requirement of both the school district and the State of Missouri's DESE. According to School District A, there were 110 SPMPs listed on the cost pool given to OIG. The school district's Human Resources Department was able to provide documentation on 102 of the individuals on the list. Of the remaining eight individuals, seven were able to be verified through the use of the Missouri Division of Professional Registration's database. Only one license for a registered nurse position was unable to be located in the database. Though School District A has registered nurses with four year degrees, this is not a requirement for employment by the district. Some of the nurses employed by the district only have an associate degree which nevertheless meets both the standards of the district and the State of Missouri.

In our review of the SPMP RMS forms, DMS applied the standard in place at the time (according to our December 2001 SDAC procedures manual as developed in consultation with and approved by CMS, then HCFA) that SPMPs have "completed a two year or longer program leading to an academic degree or certificate in a medically related program." The guide goes further in stating there are two basic criteria to apply when determining whether school staff should qualify as an SPMP:

- 1) State Standards for provider qualification; especially where certification by DESE is accepted as well as licensing by the State; and,
- 2) Professional Education and Training; which can be demonstrated by determining if the provider in question has a "medical license, certificate, or other document issued by a national or State medical licensure organization, or certifying organization or a degree in a medical field issued by a college or university certified by a professional medical organization."

This criteria would include those individuals who did not possess a "medical degree" but had received extensive course work at an advanced level and had

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certification to support this education. Included in this group are such professional as licensed counselor, registered nurse, licensed social worker, licensed occupational therapist, licensed physical therapist, and speech and language pathologist. These individuals have met the minimum requirement of a two-year degree.

This would qualify the provider to review and assess a student to determine that a referral was indicated for further medical evaluation and assessment to best meet the medical/mental health needs of that child. While it is not clear in the OIG findings, it appears that based on the standard applied; only skilled medical professional staff (doctors and nurses, etc) was considered as SPMP at the enhanced rate of 75%.

Without specific support for the OIG findings, including why each of the 44 of 47 employees in District A were disallowed, DMS is not able to respond to this finding and requests that it be removed.

School District A's Use of Average Personnel Costs Rather than Actual Personnel Costs

According to the draft report, School District A used the average of the annual salary per quarter to calculate the invoice for quarter ending December 2002 instead of the actual personnel costs incurred for the quarter.

Response: DMS agrees that the data provided by School District A to the auditors were in fact annual salaries and benefits divided by four. This was never hidden from the audit team and the reason was the fire at the district's offices that destroyed the original data. The data was recreated using actual costs and offered to the auditor for his review. When School District A's system was recreated, the computer program did not pull the salaries for the 2002-2003 school year, but reverted to the old salaries. However, the district did not submit an amended invoice for that period and under timely filing guidelines lost the ability to claim the additional income.

The auditor would not accept the data (due to the passing of the timely filing deadline) and stated that our contractor must support the amount listed on the original claim filed. As previously stated above, the salaries and benefits costs were understated by \$3.5M. This would result in an underpayment applicable to School District A.

Based on our previous comments, DMS requests that a revised claim be prepared (outside of the two-year window) and the actual costs be to the overall disallowance as stated in this report. DMS requests this based on the audit finding applicable to DMS that states DMS is to verify the accuracy of School District A's cost data and correct any overpayments.

School District A's Revenue Offsets

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According to the draft report, documentation supplied by School District A for 39 employees showed a percentage of federal funding from other sources for the quarters ending in September and December 2002. The 39 employees were identical for both quarters as was their percentage of Federal funding from other sources.

Response: DMS disagrees with this finding. The School District A cost data clearly identifies all Federally funded staff and the appropriate percentage of time applicable to Federal funds is listed on the report for each applicable employee. The costs are reduced by these percentages. DMS requests that the entire finding and recommendation be removed from the audit report.

The State agency did not have sufficient policies and procedures to adequately monitor SDAC invoices submitted by participants.

Summary: DMS did not have sufficient policies and procedures to monitor the SDAC program invoices because: 1) DMS did not review supporting documentation to ensure that only Medicaid administrative activities were claimed; and 2) DMS did not conduct in depth reviews to ensure the accuracy of personnel rosters, cost pools, and invoices.

Response: At the time of the period in question, MAXIMUS had in place the following procedures and quality control measures for the review of the RMS forms: RMS forms were received at the MAXIMUS office and reviewed on a weekly basis by management staff assigned to the project. MAXIMUS staff checked the following areas of the form to ensure they were completed correctly:

- The form was signed and dated by the participant.
- The date the participant hand wrote matched the date (or was dated after) the date that was pre-printed on the form.
- The participant checked only one box for their position.
- The participant wrote a description of the activity they were performing at their sample moment in the designated area of the form.
- The participant checked only one box for the activity code that corresponded with the activity they described in the designated area.
- If the form was flagged for validation, there was a second signature from the district coordinator that validated the participant understood how to complete the RMS form.
- If the participant checked the position box for SPMP, the description of the activity clearly identified a use of their skills as a medical professional.

If any of the above checks were completed incorrectly, the form was to be faxed back to the district coordinator. The fax would include a cover sheet that identified which part of the RMS form was incorrect. The district coordinator then routed the form back to the participant for the correction. If the form was returned incorrectly for a second time the form was marked by MAXIMUS staff as invalid and

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entered as such into the RMS system. Per MAXIMUS, this process has been in place and has been adhered to since the inception of the program.

The DMS Program Integrity (PI) unit audits SDAC. The PI unit has been using the following procedure since 2002.

- 1) MAXIMUS selects a sample control list of RMS forms for each quarter of the calendar year. These RMS forms are mailed to the corresponding school districts, completed by the participating employees and returned to MAXIMUS, who compiles these returned RMS forms into a sample result list. This list typically contains 3,000 to 3,400 RMS results.
- 2) The requirement is to question up to 5% of the sampled school district staff. PI typically reviews approximately 6% of the RMS results to allow for the non-response factor. For example: If the RMS result list contains 3,200 RMS, 5% = 160, PI would survey approximately 175-185 RMS forms.
- 3) PI's review begins with the RMS result list. The selection of the RMS forms to review is based on various factors such as the percent of billable activity codes used by a school, how recent the district has been reviewed previously, and sometimes, employee position.
- 4) When the sample has been selected by PI, a copy of the RMS forms is requested from MAXIMUS. The school districts' coordinators are sent the survey and the RMS form to be distributed and completed by each selected RMS participant. The school district also receives a survey to complete. Survey packets are asked to be returned within two weeks.
- 5) The RMS form and survey is evaluated to determine if the comments reflect an understanding of the time study form and the activity code seems reasonable. The RMS survey asks if the form was completed by the individual who signed the form and that the time sample moment and date compliment the information provided by the participant. The findings from the survey process are summarized for any follow-up as determined appropriate by DMS.

Regarding the removal of Federal funding sources, DMS believes we have sufficiently demonstrated through our previous responses that all Federal funds were removed from the personnel costs prior to submission of the invoices.

However, the State has instituted changes in the SDAC program since FFY 2003. Beginning with the new SDAC contract with MAXIMUS in 2004, MAXIMUS has been reviewing 10% of all returned RMS forms for accuracy. Forms that are found to be inaccurate are sent back to the school district for correction/completion. Beginning with January 2006, MAXIMUS now reviews 100% of the returned RMS forms. The MAXIMUS process for reviewing RMS forms is as follows:

- The subcontractor Horizon shall interface with Capitol Projects (Another MAXIMUS subcontractor) to monitor and report to the MAXIMUS Project

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Manager monthly as to progress of the process of quarterly RMS forms produced, mailed, returned and logged.

- Review of all criterion established by MAXIMUS of the RMS forms received for participating school districts (i.e. RMS description, Activity Code, Position Code, Signature of RMS form, Date RMS form was signed, Validation, etc).
- Corrections that are indicated to assist in acceptance of the RMS forms will be completed by personal visit, phone call, e-mail or fax. A log of corrections will be kept in addition to a copy of the errors of the original form and the corrections that were made and/or indicated.
- If continuous errors are occurring within an identified school district, re-training may be indicated and on-site training may be conducted under the input and suggestion of the MAXIMUS Program Manager.
- All RMS forms are to be reviewed on a weekly basis and returned to Capital Projects in order that data entry may occur unless additional resources of data entry are appropriate as indicated by the MAXIMUS Program Manager.

The Program Operations Unit of DMS is charged with monitoring the contract with MAXIMUS and has instituted the following operations to insure contract compliance:

- 1) DMS prepares a quarterly report for CMS based upon MAXIMUS' compliance with the current contract deliverables. These reports are done in February, May, August, and November of each year. A copy of the report is shared with MAXIMUS along with a requirement for MAXIMUS to respond to any outstanding issues with a plan for corrective action.
- 2) DMS holds quarterly face-to-face meetings with MAXIMUS to discuss the previous quarterly report, implementation of the corrective action plan, and any other issues regarding contract compliance.
- 3) In addition to the quarterly meetings, DMS has encouraged MAXIMUS to engage the State in a regular on-going dialogue to foster better communication between the State and its contractor and to address any potential problems in an efficient and timely manner.
- 4) DMS requires that any data files submitted to DMS per the contract requirements be sent on CD-ROM even if they are submitted electronically in order to back-up the data.
- 5) DMS requires that MAXIMUS submit all publications, newsletters, announcements, etc. regarding the Missouri SDAC and Medicaid programs to DMS for review and approval prior to their release (print or electronically).

Currently, upon receiving an invoice from MAXIMUS, the DMS Financial Services Unit (FSU) does the following:

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- 1) Make sure the invoice is accompanied by a Medicaid Eligibility Ratio (MER) letter for the same quarter as the invoice.
- 2) The invoice is then audited as follows:
 - The quarter is within the timely filing window.
 - The school district's number.
 - The proper indirect cost rate and that the rate has been certified by DESE.
 - The correct RMS data has been used in the calculations.
 - A certification letter for matching state funds is accompanying the invoice, if one is not already on file.
 - The reported costs appear to be reasonable when compared to previous quarters.
 - The MER percentage, student, and recipient numbers are reasonable when compared to previous quarters.
 - The calculations were completed correctly.
- 3) If any of the above items are incorrect or raise a question, an e-mail is sent to MAXIMUS for an explanation of the problem. Invoices with pending problems are pulled until a resolution has been received and a revised invoice has been received. If a resolution cannot be quickly obtained, MAXIMUS requests the invoice be pulled until they can further research the problem.

FSU receives no cost data and assumes that all Federal funds have been removed from the claimed costs. MAXIMUS collects the data, removes any inappropriate funding, then compiles and submits the invoice upon the district's behalf.

MAXIMUS has also instituted changes with how it handles the RMS data received from the school districts. MAXIMUS has instructed its subcontractor Horizon to monitor and report to the MAXIMUS Project Manager monthly as to the progress of processing the quarterly RMS forms produced, mailed, returned and logged. The subcontractor is responsible for:

- 1) Review of all criterion established by MAXIMUS of the RMS forms received for participating school districts (i.e. RMS description, Activity Code, Position Code, signature on RMS form, date RMS form was signed, validation, etc).
- 2) Corrections that are indicated to assist in acceptance of the RMS forms will be completed by a personal visit, phone call, e-mail or fax. A log of corrections is kept in addition to a copy of the errors of the original form and the corrections that were made and/or indicated.
- 3) If continuous errors are occurring within an identified local education agency (LEA), re-training may be indicated and on-site training may be conducted under the input and suggestion of the program manager.
- 4) All RMS forms are to be reviewed on a weekly basis and returned to Capital Projects (another MAXIMUS subcontractor) in order that data entry may occur unless additional resources of data entry are appropriate as indicated by the

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program manager. Horizon is currently doing a 100% review of the returned RMS forms and MAXIMUS does a follow up audit of all returned RMS forms with marked activity codes.

In summary, DMS and its contractor had in place detailed procedures for monitoring SDAC data used as well as ensuring the accuracy of the invoices.

Effect of Unallowable Claims Paid at the Enhanced Rate

Because DMS did not properly claim payments for SPMP at enhanced Federal funding rates, it received \$1,065,655 (Federal share) in overpayments for FY 2003 for school district claims.

Response: DMS disputes the findings as we believe these inconsistencies should warrant additional supporting documentation or explanation from the OIG to assist DMS in understanding what exactly constituted the errors.

Recommendations:

The OIG made the following recommendations:

1) For FY 2003, DMS should ensure that direct medical services are claimed at the Federal Medical Assistance Percentage rate and not the enhanced administrative rate.

Response: There are no direct medical services in this program. Since January 1, 2003, DMS has not claimed the enhanced Federal matching rate of 75% for SDAC administrative activities performed by SPMP school staff.

2) For FY 2003, DMS should review licensure information for individuals classified as a SPMP listed in all the school districts' cost pools to ensure that they meet the educational requirements.

Response: DMS believes this has been completed with the 100% review of the SPMP for FY 2003. Furthermore, DMS believes the individuals included in the cost pools have met the requirements.

3) For FY 2003, DMS should review all SDAC invoices paid in FY 2003 to ensure that other expenses only includes allowable expenditures for the enhanced reimbursement.

Response: DMS will review claims for this period and submit any necessary adjustments.

4) DMS should review and recalculate School District A invoices based on the following:

- DMS should ensure that duplicate personnel costs are removed.

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- DMS should ensure that all employees claimed as skilled professional medical personnel meet Federal Education requirements.
- DMS should review the payroll system to determine which personnel costs are paid through other Federal funding sources and offset the revenue.

Response: Since January 1, 2003, DMS has not allowed the use of the SPMP code on any RMS forms based upon the November 21, 2002 State Medicaid Directors' letter from CMS. The letter instructs the state that the enhanced Federal matching rate of 75% for administrative activities performed by SPMP school staff was no longer available as of January 1, 2003.

As stated previously, DMS believes the issue concerning duplicate personnel costs should have been removed from the audit report because the DMS contractor met with the OIG auditor regarding this issue and provided the support requested during the on-site review. The duplicate entries were all found to be split funded personnel. This is evident by the fund and function codes assigned to each personnel making up School District A's employee roster.

Regarding the claims concerning SPMPs not meeting Federal standards, DMS again refers to our December 2001 SDAC procedures manual which states that state standards for provider qualification and professional education and training (including certification by DESE) are acceptable criteria in determining SPMPs. However, since this designation is no longer applicable to SDAC claiming, the state will not revisit it.

Based upon the incorrect submission of data, DMS believes School District A was actually underpaid by \$268,411 using the corrected data as supplied to OIG.

Please contact Q. Michael Ditmore, M.D., Director, Division of Medical Services at 573-751-6922 if you have additional questions.

Sincerely,



K. Gary Sherman
Director

KGS/sz