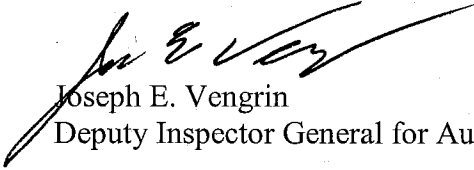




NOV - 7 2007

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

FROM: 
Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Iowa Medicaid Payments for Targeted Case Management for Fiscal Years 2003 and 2004 (A-07-06-03078)

Attached is an advance copy of our final report on the review of Iowa Medicaid payments for targeted case management (TCM) services for Federal fiscal years (FY) 2003 and 2004. We will issue this report to the Iowa Department of Human Services (the State agency) within 5 business days. This audit was part of a nationwide review of TCM program payments.

Our objective was to determine whether the State agency's claim for Medicaid reimbursement of TCM services during FYs 2003 and 2004 complied with Federal and State requirements.

Contrary to Federal and State requirements, the State agency claimed unallowable TCM services during FYs 2003 and 2004. Of the 200 State agency claims for Medicaid reimbursement in our sample, 127 were allowable, the State agency did not properly claim 60, and 13 may not have been allowable. Specifically, the State agency claimed Federal reimbursement for 48 services for which the documentation provided did not describe the nature, extent, or units of service in enough detail to show that an allowable service had been provided and for 12 services that did not meet the definition of allowable TCM services as set forth in section 1915 (g)(2) of the Social Security Act. These unallowable services were claimed because the State agency lacked sufficient internal controls to ensure that it properly claimed allowable TCM services for Federal reimbursement. As a result, the State agency improperly claimed \$2,495,948 (\$1,510,153 Federal share) for TCM services that did not comply with Federal and State requirements.

In addition, the State agency claimed Federal reimbursement for 13 direct medical services that were provided to TCM recipients and claimed as TCM costs. Direct medical services are unallowable TCM costs; however, they may be allowable under other provisions of the Medicaid program. Therefore, we set aside, for Centers for Medicare & Medicaid Services adjudication, the \$302,542 (\$196,116 Federal share) associated with these claims. These unallowable and potentially unallowable claims totaled 73 of the 200 TCM claims we reviewed. We consider the remaining 127 claims reviewed to be acceptable.

We recommend that the State agency:

- refund \$1,510,153 to the Federal Government for unallowable TCM claims,
- work with CMS to determine the allowability of the \$196,116 of direct medical services incorrectly claimed as TCM services, and
- establish policies and procedures strengthening its internal controls to ensure that TCM services claimed for Federal reimbursement: (1) are sufficiently documented to support the provision of TCM services and are provided in accordance with Federal regulations and (2) do not include direct medical services.

In written comments on our draft report, the State agency fully concurred with our third recommendation and partially concurred with the first two recommendations. The State agency disagreed with 49 of the 104 unallowable and potentially unallowable claims. The State agency provided an explanation supporting its position for each of these 49 claims. Additionally, the State agency indicated that it has implemented corrective action regarding the issues being reported.

After reviewing the State agency's comments and additional documentation, we agreed with the State agency for 31 of the 49 claims that it disputed and have amended the report to reflect the changes. After considering the additional documentation and comments, we continue to support our remaining 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-07-06-03078 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**IOWA MEDICAID PAYMENTS FOR
TARGETED CASE MANAGEMENT
FOR FISCAL YEARS 2003
AND 2004**



Daniel R. Levinson
Inspector General

November 2007
A-07-06-03078

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.





DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

NOV - 9 2007

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

Report Number: A-07-06-03078

Mr. Kevin W. Concannon
Director
Iowa Department of Human Services
Hoover State Office Building, 5th Floor
1305 East Walnut Street
Des Moines, Iowa 50319-0114

Dear Mr. Concannon:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Iowa Medicaid Payments for Targeted Case Management for Fiscal Years 2003 and 2004." 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 at (816) 426-3591 or by e-mail at Patrick.Cogley@oig.hhs.gov or contact Greg Tambke, Audit Manager, at (573) 893-8338, extension 30, or by e-mail at Greg.Tambke@oig.hhs.gov. Please refer to report number A-07-06-03078 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosure

Page 2 – Mr. Kevin W. Concannon

Direct Reply to HHS Action Official:

Mr. 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

EXECUTIVE SUMMARY

BACKGROUND

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.

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 case management services as “services that will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services.”

A 2001 CMS letter to State Medicaid directors refers to case management services as targeted case management (TCM) when the services are furnished to specific populations in a State. The letter provides that allowable TCM services for Medicaid-eligible beneficiaries include assessment of the beneficiary to determine service needs, development of a specific care plan, referral to needed services, and monitoring and followup of needed services. In addition, the letter specifies that allowable Medicaid case management services do not include direct medical, educational, or social services to which the Medicaid-eligible individual has been referred.

In Iowa, the Iowa Department of Human Services (State agency) provides TCM services to Medicaid-eligible children and adults who are pregnant; have a diagnosis of mental retardation, developmental disability, or chronic mental illness; or are eligible under the Early and Periodic Screening, Diagnostic, and Treatment program; and meet the eligibility categories under Part B and C of the Individuals with Disabilities Education Act. The TCM program offered by the State agency is designed to assist eligible individuals in gaining access to necessary services and supports that they are appropriate to the individuals’ needs. The State agency directly provides TCM services and contracts with counties and other service providers to render services to Medicaid-eligible recipients.

For Federal fiscal years (FY) 2003 and 2004, the State agency claimed Medicaid reimbursement totaling \$33,378,652 for TCM services.

OBJECTIVE

Our objective was to determine whether the State agency’s claim for Medicaid reimbursement of TCM services during FYs 2003 and 2004 complied with Federal and State requirements.

SUMMARY OF FINDINGS

Contrary to Federal and State requirements, the State agency claimed unallowable TCM services during FYs 2003 and 2004. Of the 200 State agency claims for Medicaid reimbursement in our sample, 127 were allowable, the State agency did not properly claim 60, and 13 may not have been allowable. Specifically, the State agency claimed Federal reimbursement for 48 services for which the documentation provided did not describe the nature, extent, or units of service in enough detail to show that an allowable service had been provided and for 12 services that did not meet the definition of allowable TCM services as set forth in section 1915 (g)(2) of the Act. These unallowable services were claimed because the State agency lacked sufficient internal controls to ensure that it properly claimed allowable TCM services for Federal reimbursement. As a result, the State agency improperly claimed \$2,495,948 (\$1,510,153 Federal share) for TCM services that did not comply with Federal and State requirements.

In addition, the State agency claimed Federal reimbursement for 13 direct medical services that were provided to TCM recipients and claimed as TCM costs. Direct medical services are unallowable TCM costs; however, they may be allowable under other provisions of the Medicaid program. Therefore, we set aside, for CMS adjudication, the \$302,542 (\$196,116 Federal share) associated with these claims. These unallowable and potentially unallowable claims totaled 73 of the 200 TCM claims we reviewed. We consider the remaining 127 claims reviewed to be acceptable.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$1,510,153 to the Federal Government for unallowable TCM claims,
- work with CMS to determine the allowability of the \$196,116 of direct medical services incorrectly claimed as TCM services, and
- establish policies and procedures strengthening its internal controls to ensure that TCM services claimed for Federal reimbursement: (1) are sufficiently documented to support the provision of TCM services and are provided in accordance with Federal regulations and (2) do not include direct medical services.

STATE AGENCY'S COMMENTS

In written comments on our draft report, the State agency fully concurred with our third recommendation and partially concurred with the first two recommendations. The State agency disagreed with 49 of the 104 unallowable and potentially unallowable claims. The State agency provided an explanation supporting its position for each of these 49 claims. Additionally, the State agency indicated that it has implemented corrective action regarding the issues being reported.

The State agency's written response, excluding four attachments totaling 100 pages, is included in Appendix C. We have forwarded the four attachments in their entirety to CMS.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

After reviewing the State agency's comments and additional documentation, we agreed with the State agency for 31 of the 49 claims that it disputed and have amended the report to reflect these changes. After considering the additional documentation and comments, we continue to support our remaining findings and recommendations.

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INTRODUCTION

BACKGROUND

Medicaid Program

Title XIX of the Social Security Act (the Act), provides medical assistance to low-income individuals and 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.

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 that 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 January 19, 2001, refers to case management services as targeted case management (TCM) when the services are furnished to specific populations in a State. The letter states that activities commonly understood to be allowable TCM for Medicaid-eligible beneficiaries include assessment to determine service needs, development of a specific care plan, referral to needed services, and monitoring and followup of allowable services. In addition, the letter specifies that allowable Medicaid case management services do not include direct medical, educational, or social services to which the Medicaid-eligible individual has been referred.

Iowa Department of Human Services

The Iowa Department of Human Services (State agency) administers the Medicaid program. The responsibilities of the State agency include processing claims and monitoring provider operations. On a quarterly basis, the State agency submits to CMS its Form CMS-64.9 Base, “Medical Assistance Expenditures by Type of Service for the Medical Assistance Program,” to summarize, by category of service, Medicaid expenditures for Federal reimbursement.

Iowa Targeted Case Management Services

The State agency directly provides TCM services and also contracts with counties and other service providers to provide services to Medicaid-eligible recipients. The Iowa State plan defines five target groups for TCM services:

- pregnant women;
- recipients with a primary diagnosis of mental retardation, developmental disability, or chronic mental illness;
- eligibles under the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) program;
- children from birth to age 3 years who meet the developmental delay eligibility categories under Part C of the Individuals with Disabilities Education Act; and
- children from age 3 to 21 years who meet the eligibility categories under Part B of the Individuals with Disabilities Education Act.

Each target group has specific focuses for TCM services to fit the needs of the recipients within that respective group.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency's claim for Medicaid reimbursement of TCM services during Federal fiscal years (FY) 2003 and 2004 complied with Federal and State requirements.

Scope

We reviewed the State agency reimbursement claims for TCM services for FYs 2003 and 2004 (October 1, 2002–September 31, 2004). The State agency claimed \$33,378,652 for TCM services during this period.

We limited our consideration of the State agency's internal control structures to those controls concerning claims processing because the objective of our review did not require an understanding or assessment of the complete internal control structure.

We performed our fieldwork from July through October 2006 at the State agency in Des Moines, Iowa, and at the offices of TCM providers throughout Iowa.

Methodology

To accomplish our audit objective, we:

- reviewed Federal laws, regulations, and other requirements regarding Medicaid reimbursement for TCM services, as well as the Iowa State plan;

- interviewed CMS and State officials, as well as State agency contractors responsible for the provision of TCM services;
- obtained claims data from the State agency's Medicaid Management Information System for TCM services provided during FYs 2003 and 2004;
- reconciled Medicaid Management Information System claims to the CMS-64 reports submitted for Federal reimbursement by the State agency for FYs 2003 and 2004;
- reviewed the State agency's monthly rate for TCM services;
- selected a random sample of 200 TCM claims, totaling \$27,632¹ (\$17,985 Federal share); and
- obtained and reviewed the supporting documentation for each sampled claim to determine the allowability of the claim.

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

FINDINGS AND RECOMMENDATIONS

Contrary to Federal and State requirements, the State agency claimed unallowable TCM services during FYs 2003 and 2004. Of the 200 State agency claims for Medicaid reimbursement in our sample, 127 were allowable, the State agency did not properly claim 60, and another 13 may not have been allowable. Specifically, the State agency claimed Federal reimbursement for 48 services for which the documentation provided did not describe the nature, extent, or units of service in enough detail to show that an allowable service had been provided and for 12 services that did not meet the definition of allowable TCM services as set forth in section 1915 (g)(2) of the Act. These unallowable services were claimed because the State agency lacked sufficient internal controls to ensure that it properly claimed allowable TCM services for Federal reimbursement. As a result, the State agency improperly claimed \$2,495,948 (\$1,510,153 Federal share) for TCM services that did not comply with Federal requirements.

In addition, the State agency claimed Federal reimbursement for 13 direct medical services that were provided to TCM recipients and claimed as TCM costs. Direct medical services are unallowable TCM costs; however, they may be allowable under other provisions of the Medicaid program. Therefore, we are setting aside, for CMS adjudication, the \$302,542 (\$196,116 Federal share) associated with these claims. These unallowable and potentially unallowable claims

¹Our review consisted of two random samples of 100 claims each. For reporting purposes, we combined the results of the two samples because the findings were similar in nature. We selected 100 claims for TCM services provided directly by the State agency. The 100 claims totaled \$19,859 (\$12,970 Federal share). See Appendix A. The other 100 claims came from all other service providers. These sampled claims totaled \$7,773 (\$5,015 Federal share). See Appendix B. The total of our sampled claims was \$27,632 (\$17,985 Federal share).

totaled 73 of the 200 TCM claims we reviewed. We consider the remaining 127 claims reviewed to be acceptable.

PROGRAM REQUIREMENTS

Federal Law

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 case management services as “. . . services which will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services.”

Iowa State Plan

According to the State plan, TCM services include assessing the need for services; the development and implementation of a treatment plan; referral of needed services; monitoring and followup of referred services with providers, and evaluation of client progress.

UNALLOWABLE TARGETED CASE MANAGEMENT SERVICES

Insufficient Documentation

The CMS “State Medicaid Manual,” section 4302.2(L), states that to receive payment for case management services under the plan, the State agency should fully document its claim as it does for any other Medicaid service. This same section also states that if State agencies “. . . pay for case management services through capitation or prepaid health plans, the requirements of 42 CFR part 434 must be met.” With the exception of claims under the capitation or prepaid health plan arrangements, State agencies must document the following:

- date of service;
- name of recipient;
- name of provider agency and person providing the service;
- nature, extent, or units of service; and
- place of service.

The State agency did not properly claim 60 of the 200 TCM services reviewed. The case files did not document the nature, the extent, or the units of service to show that an allowable service had been provided. It was not possible to determine from the case notes whether any TCM services were provided, such as determination of service needs, care plan development, referral to needed services, or monitoring and followup of services to which the individual had been referred. For example:

- “With Heather, she goes out to eat, Wal-Mart to buy Linda a present for Valentine’s Day. Has been making snacks in microwave. Picks out different things. Buys her

snacks and TV guide at Fareway. Goes to the bank to cash her checks. LeAnn got Scooby Doo stuff for Christmas. She went to her brother's home for Christmas.”

- “Troy was attending Venture’s Club. He was in good spirits. He was planning on going shopping w/SCL [with supportive community living]. He also plans to attend camp this fall.”
- “Melvin was shredding papers today when I visited him. He was quite meticulous about this task. He [did not] have a lot to say to me”

Of the 60 services considered to be unallowable due to insufficient documentation, 24 concerned the EPSDT target group. EPSDT providers enter recipient documentation for TCM services using a State-operated database system known as the Child and Adolescent Reporting System. The State agency mandates that this automated system serve as the official EPSDT record for services. However, this system provides a limited field within which a narrative of services provided can be entered. As a result, some of the encounters recorded in this system do not sufficiently document that allowable TCM services were provided.

Unallowable Outreach

In addition to the Federal and State definitions and descriptions of TCM services described in Section 1915(g)(2) of the Act and the Iowa State plan, section 4302.2 (I) of the “State Medicaid Manual” lists activities that are not allowable TCM services. Specifically, section 4302.2 (I)(4) states that client outreach activities:

. . . in which a State agency or a provider attempts to contact potential recipients of a service do not constitute case management services. The statute defines case management services as, “services which will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services.” The attempt to contact individuals who may or may not be eligible for case management services does not fall under this definition. However, such outreach activities may be considered necessary for the proper and efficient administration of the Medicaid State plan. When this is the case, FFP [Federal financial participation] is available at the administrative rate [of 50 percent].

The State agency did not properly claim 12 of the 200 TCM services reviewed because the claims were for form letters about EPSDT services that were sent by providers to individuals newly eligible for Medicaid. The State agency allowed EPSDT providers to send these letters twice a year and bill Medicaid for them as TCM services. The letters constitute outreach activities and should have been claimed at the 50-percent administrative rate instead of the higher rate for TCM services. We allowed the costs of the letters at the 50-percent administrative rate. (See Appendix B for details on the calculations.)

Direct Medical Services

Section 4302.2(G)(1) of the “State Medicaid Manual” states that “Although FFP may be available for case management activities that identify the specific services needed by an individual, assist recipients in gaining access to these services, and monitor to assure that needed services are received, FFP is not available for the cost of these specific services unless they are separately reimbursable under Medicaid.”

Other Federal guidelines provide further clarification of relevant criteria for Federal reimbursement for TCM services. CMS’s State Medicaid Director Letter 01-013, issued January 19, 2001, refers to case management services as TCM when the services are furnished to specific populations in a State. The letter states that activities commonly understood to be allowable TCM services for Medicaid-eligible beneficiaries include assessment of the beneficiary to determine service needs, development of a specific care plan, referral to needed services, and monitoring and followup of needed services. The letter further states that “Medicaid case management services do not include payment for the provision of direct services (medical, educational, or social) to which the Medicaid eligible individual has been referred.”

Contrary to these Federal requirements, the State agency submitted 13 of 200 claims as TCM services which, in fact, were direct medical services. Several providers stated that their employees worked as both a care coordinator and a direct service provider. In several cases, registered nurses also served as TCM care coordinators. The nurses gave immunizations, took height and weight measurements, took temperatures, and provided information and referrals as TCM care coordinators. All of the services in the following examples were billed as TCM services.

- One recipient received immunizations, laboratory tests for lead and blood work, and a physical examination.
- A case file had documentation that included results of a pregnancy examination: a height and weight measurement, a blood pressure reading, a check for fetal movement, and an examination for preterm labor signs.

These services were direct medical services, and Federal reimbursement for TCM services is not available or allowable for the cost of direct medical services. These services may, however, be otherwise allowable under Medicaid.

LACK OF SUFFICIENT INTERNAL CONTROLS

These unallowable services were claimed because the State agency lacked sufficient internal controls to ensure that TCM services claimed for Federal reimbursement were in compliance with Federal requirements. Specifically, the State agency lacked sufficient oversight of (1) documentation to support the provision of services; (2) services provided, to ensure that Federal requirements were met; and (3) its contracted providers, who submitted TCM claims for direct medical services.

In addition, the State agency mandates that the Child and Adolescent Reporting System serve as the official EPSDT record of services. However, the State agency did not ensure that this system allowed contractors to document services sufficiently to support the service provided.

UNALLOWABLE AND POTENTIALLY UNALLOWABLE CLAIMS FOR FEDERAL REIMBURSEMENT

As a result, the State agency inappropriately claimed \$2,495,948 (\$1,510,153 Federal share) for TCM services that did not comply with Federal requirements during FYs 2003 and 2004.

In addition, the State agency incorrectly claimed direct medical services as TCM costs. However, because these costs may have been allowable under other provisions of the Medicaid program, we set aside, for CMS adjudication, the \$302,542 (\$196,116 Federal share) associated with these claims.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$1,510,153 to the Federal Government for unallowable TCM claims,
- work with CMS to determine the allowability of the \$196,116 of direct medical services incorrectly claimed as TCM services, and
- establish policies and procedures strengthening its internal controls to ensure that TCM services claimed for Federal reimbursement: (1) are sufficiently documented to support the provision of TCM services and are provided in accordance with Federal regulations and (2) do not include direct medical services.

STATE AGENCY'S COMMENTS

In written comments on our draft report, the State agency fully concurred with our third recommendation and partially concurred with the first two recommendations. The State agency disagreed with our conclusions on 49 claims related to the first two recommendations. The State agency provided a detailed explanation of each claim in an attachment to its response.²

The State agency concurred that its State Medicaid program “had inadequate internal controls at the time of the audit period.” In two attachments to its response, the State agency described the improvements made in internal controls and oversight since the audit period, as well as planned program improvements.

²The State agency incorrectly counted the number of claims with which it nonconcurred. Although its response states that “We assert that 51 of these cases should be allowed,” the actual number of claims disputed by the State agency (in its attachments to its response) is 49.

The State agency's written response, excluding four attachments totaling 100 pages, is included in Appendix C. We have forwarded the four attachments in their entirety to CMS.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

After reviewing the State agency's comments and additional documentation, we agreed with the State agency for 31 of the 49 claims it disputed, leaving 18 claims that we still question or set aside (in addition to the 55 claims whose validity the State agency did not dispute). We amended the report to reflect the changes. After considering the additional documentation and comments, we continue to support our remaining findings and recommendations.

APPENDIXES

**SAMPLING METHODOLOGY FOR
CLAIMS FROM THE IOWA DEPARTMENT OF HUMAN SERVICES**

POPULATION

The population consisted of 60,104 claims representing targeted case management (TCM) services totaling \$12,015,582 that were provided from October 1, 2002, through September 30, 2004, by the Iowa Department of Human Services (the State agency).

SAMPLING FRAME

We obtained the files from the State agency. The sampling frame consisted of 50 data files containing TCM claims that the State agency claimed for Federal reimbursement during Federal fiscal years (FY) 2003 and 2004. The data files included prior period adjustments made through December 31, 2004. We reconciled the data to Title XIX expenditures reported on the quarterly Centers for Medicare & Medicaid Services (CMS) 64.9 Base reports, "Medical Assistance Expenditures by Type of Service for the Medical Assistance Program."

We combined the data files and incorporated the prior period adjustments into one file. We removed claims that had a reimbursement amount of zero.

The State agency used a three-step methodology to claim reimbursement for its TCM services. When submitting the original claim, the State agency used a projected monthly rate. At the end of the State FY, the State agency made an adjustment using a rate based on actual expenditures. Finally, the State agency made a credit adjustment for the amount of the original projected rate.

For our review, the original claims with a projected rate and corresponding credit adjustments equaling the same amount were removed from the database. The adjustments reflecting the actual rate calculations at the end of the State FY were retained in the data file. In addition, we retained original claims based on projected rates that did not have associated adjustments.

After making the modifications previously stated, the sampling frame consisted of 60,104 claims representing TCM services totaling \$12,015,582 that were provided from October 1, 2002, through September 30, 2004, by the State agency.

SAMPLE UNIT

The sampling unit was one recipient claim.

SAMPLE DESIGN

We selected a random sample from all claims for Iowa TCM covering Federal FYs 2003 and 2004, using a random number generator.

SAMPLE SIZE

We selected one hundred sample units (claims) for review.

SOURCE OF RANDOM NUMBERS

The random numbers were generated from the Office of Inspector General (OIG) Office of Audit Services RAT-STATS statistical software package. We used National Bureau of Standards methodology to validate the package.

METHOD OF SELECTING SAMPLE ITEMS

We sorted the claims in the sampling frame by the last date of service. The claims were sequentially numbered and selected for review based on the random numbers generated by the OIG Office of Audit Services RAT-STATS statistical software package. We then reviewed the TCM services provided to the recipient for each of the randomly selected claims.

ESTIMATION METHODOLOGY

We used the OAS Statistical Software Variable Appraisal program to project the amount of the total unallowable TCM payments. We used the lower limit at the 90-percent confidence level to determine the total unallowable TCM payments.

SAMPLE PROJECTION

	Estimate of Unallowable Services at the 90-percent Confidence Level	
	Total Unallowable	Federal Share¹
Point Estimate	\$1,451,656	\$947,335
Lower Confidence Limit	\$795,813	\$519,339
Upper Confidence Limit	\$2,107,499	\$1,375,330
Precision Amount	\$655,843	\$427,996
Precision Percent	45.18%	45.18%

¹We determined the Federal share of the total unallowable service cost by taking a weighted average of the Federal medical assistance percentages (FMAP).

SAMPLING METHODOLOGY FOR CLAIMS FROM OTHER PROVIDERS

POPULATION

The population consisted of 244,775 claims representing TCM cases totaling \$21,363,070, that were provided from October 1, 2002, through September 30, 2004, by service providers other than the State agency.

The population is different from the sampling frame because the frame includes 38,912 claims totaling \$5,225,964 that were not for TCM services.

SAMPLING FRAME

We obtained the files from the State agency. The sampling frame consisted of 50 data files containing TCM claims that the State agency claimed for Federal reimbursement during Federal FYs 2003 and 2004. The data files included prior period adjustments made through December 31, 2004. We reconciled the data to Title XIX expenditures reported on quarterly CMS-64.9 Base reports, "Medical Assistance Expenditures by Type of Service for the Medical Assistance Program."

We combined the data files and incorporated the prior period adjustments into one file. We removed claims that had a reimbursement amount of zero.

The State agency used a three-step methodology to claim reimbursement for TCM services. When submitting the original claim, the State agency used a projected monthly rate. At the end of the State FY, the State agency made an adjustment using a rate based on actual expenditures. Finally, the State agency made a credit adjustment for the amount of the original projected rate.

For our review, the original claims with a projected rate and corresponding credit adjustments equaling the same amount were removed from the database. The adjustments reflecting the actual rate calculations at the end of the State FY were retained in the data file. In addition, we retained original claims based on projected rates that did not have associated adjustments.

After making these modifications, the sampling frame consisted of 283,687 claims representing TCM services totaling \$26,589,035¹ that were provided from October 1, 2002, through September 30, 2004.

SAMPLE UNIT

The sampling unit was one recipient claim.

¹The difference in the amounts shown in the "Population" and "Sampling Frame" sections is due to rounding.

SAMPLE DESIGN

We selected a random sample from all claims for Iowa TCM services covering Federal FYs 2003 and 2004 using a random number generator.

SAMPLE SIZE

We selected 100 sample units (claims) for review.

SOURCE OF RANDOM NUMBERS

The random numbers were generated from the OIG Office of Audit Services RAT-STATS statistical software package. We used National Bureau of Standards methodology to validate the package.

METHOD OF SELECTING SAMPLE ITEMS

We sorted the claims in the sampling frame by recipient Medicaid identification number, date of service, and procedure code. The claims were sequentially numbered and selected for review based on the random numbers generated by the OIG Office of Audit Services RAT-STATS statistical software package. Because the frame includes claims for non-TCM services, we generated spares using the RAT-STATS statistical software. If a claim for a non-TCM service was selected for review, we replaced the claim with the next statistically selected valid claim. We then reviewed the TCM services provided to the recipient for each of the randomly selected claims.

ESTIMATION METHODOLOGY

We used the OAS Statistical Software Variable Appraisal program to project the amount of the total unallowable TCM payments. We used the lower limit at the 90-percent confidence level to determine the total unallowable TCM payments and the point estimate to estimate the direct medical services to be set aside for CMS adjudication.

SAMPLE PROJECTIONS

Errors With Documentation

	Estimate of Unallowable Services at the 90-percent Confidence Level	
	Total Unallowable	Federal Share ²
Point Estimate	\$3,134,931	\$2,032,148
Lower Confidence Limit	\$1,477,616	\$957,831
Upper Confidence Limit	\$4,792,247	\$3,106,465
Precision Amount	\$1,657,316	\$1,074,317
Precision Percent	52.87%	52.87%

Errors With the Early and Periodic Screening, Diagnostic, and Treatment Program Information Letters

	Estimate of Unallowable Services at the 90-percent Confidence Level			
	Total Unallowable A	Unallowable at the FMAP Rate (A x 0.648227273) B	Administrative Rate (A x 0.50) C	Questioned Costs (B - C)
Point Estimate	\$1,203,559	\$780,180	\$601,780	\$178,400
Lower Confidence Limit	\$222,519	\$144,243	\$111,260	\$32,983
Upper Confidence Limit	\$2,184,599	\$1,416,117	\$1,092,300	\$323,817
Precision Amount	\$981,040	\$635,937	\$490,520	\$145,417
Precision Percent	81.51%	81.51%	81.51%	81.51%

Inappropriately Claimed Direct Medical Services

	Estimate of Inappropriately Claimed Services at the 90-percent Confidence Level	
	Total Inappropriately Claimed	Federal Share
Point Estimate	\$302,542	\$196,116
Lower Confidence Limit	\$152,944	\$99,142
Upper Confidence Limit	\$452,140	\$293,089
Precision Amount	\$149,598	\$96,974
Precision Percent	49.45%	49.45%

²We determined the Federal share of the total unallowable service cost by taking a weighted average of the FMAPs.



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

JUL 13 2007

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

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

RE: Iowa Medicaid Payments for Targeted Case Management:
Report Number: A-07-06-03078

Dear Mr. Cogley:

Enclosed please find comments from the Iowa Department of Human Services (DHS) to the May 18, 2007 draft report concerning the Office of Inspector General's (OIG) audit to Iowa's TCM programs.

We appreciate that your office granted DHS a 30-day extension, until July 17, 2007, to respond to the draft OIG report. The attached response addresses each finding and concern individually, as well as providing general comments about the audit and draft report.

DHS is grateful for the opportunity to provide comments that will be incorporated into the final report. We welcome the opportunity to work with the OIG to resolve areas of disagreement or other concerns before the final report is issued.

Questions about the attached response can be addressed to:

Ken Tigges
Division of Fiscal Management
Iowa Department of Human Services
Hoover State Office Building, 1st Floor South
Des Moines, IA 50319-0114
Phone: 515-281-6027

I understand that this response will be summarized in the body of the final report and included in its entirety as an appendix.

Sincerely,

A handwritten signature in black ink that reads "Kevin W. Concannon".

Kevin W. Concannon
Director

1305 E WALNUT STREET - DES MOINES, IA 50319-0114

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**IOWA DEPARTMENT OF HUMAN SERVICES (DHS) RESPONSE TO:
AUDIT OF IOWA MEDICAID PAYMENTS FOR
TARGETED CASE MANAGEMENT (DRAFT)
FOR THE PERIOD
OCTOBER 1, 2002-SEPTEMBER 31, 2004
AUDIT REPORT NUMBER: A-07-06-03078**

DHS General Comments

On May 18, 2006 the Office of Inspector General (OIG) provided the state with a draft report of the audit findings. This audit of Iowa's Targeted Case Management (TCM) covers the period of October 1, 2002-September 31, 2004. TCM services have helped Iowa Medicaid consumers access needed social, medical, and other services. TCM services are critical for these vulnerable populations. Without these services, some of our most needy populations would not be linked to local health care providers.

Of the 200 claims reviewed 104 were disallowed. Of these claims 76 were disallowed for insufficient documentation, 13 were disallowed for unallowable outreach, and 15 were disallowed as direct medical services. We assert that 51 of these cases should be allowed. 47 of the claims disallowed for insufficient documentation should be allowed, 2 of the claims disallowed for unallowable outreach should be allowed and 2 of the claims disallowed as direct medical services should be allowed.

A complete list of the program improvements implemented since the time frame under review and the planned program improvements by issue are found on attachment 3. Attachment 3 also includes the program improvements that have been made by our primary contractors.

The Iowa Medicaid Enterprise contracts for oversight and monitoring of the Targeted Case Management program. Attachment 4 explains the current monitoring and oversight activities as provided by our four primary contractors. The four contractors include the DHS case management unit, the Iowa State Association of Counties, the Iowa Department of Public Health, and the Iowa Department of Education. This attachment details the monitoring responsibility of the four entities that monitor compliance with Medicaid regulations as part of our agreement with the contractors. The activities listed in Attachment 4 are in addition to the compliance monitoring of the Surveillance and Utilization Review unit (SURS).

In the sections that follow, a statement of concurrence or nonconcurrence with each recommendation is listed. Concurrence statements will include a description of the nature of the corrective action that has already been implemented since the audit period or any planned correction. Nonconcurrence statements include specific reasons for the DHS nonconcurrence. In these cases Iowa finds that the TCM services were in compliance with Federal and State requirements and we respectfully disagree with OIG's draft recommended disallowance and ask that the extrapolated disallowance amount be recalculated accordingly. The summary of cases of nonconcurrence is included as attachment 1.

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Unallowable Targeted Case Management Services

Insufficient Documentation

Per the requirements of 42 CFR part 434,

State agencies must document the following:

- Date of service;
- Name of recipient
- Name of provider agency and person providing the service
- Nature, extent, or units of service; and
- Place of service.

OIG's draft report asserts that it was not possible to determine from the case notes whether any TCM services were provided, such as termination of service needs, care plan development, referral to needed services, or monitoring and follow-up of services to which the individual had been referred. In addition at the OIG exit conference, OIG clarified that documentation of the Targeted Case Manager's monitoring of the consumer's progress on care plan goals and services would be a claimable service.

Statement of concurrence or nonconcurrence: The Iowa Department of Human Services concurs and does not concur in part with the findings of the OIG. In each case we reviewed the documentation for each claim identified and on attachment 1 describe the activities of the case manager. The information recorded was the relevant information required by the State Medicaid Manual section 4302.3(L). Of the seventy-six (76) targeted case management claims identified for disallowance we concur that twenty-nine (29) of the cases reviewed should be disallowed. For the majority of the claims identified as disallowed however, the Department believes that forty-seven (47) of the disallowed claims do meet the applicable Federal and State requirements for claimable TCM services and should be allowed. Attachment 1 describes the documentation of the claim and in particular the activities of the case manager. In some cases the activities of the case manager should be read with other case documentation. Specifically, the case documentation states the nature and extent of the service, including the Targeted Case Manager's monitoring the consumer's progress on care plan goals and relevant Medicaid services. We respectfully recommend that the OIG reconsider their interpretation that the documentation for these 45 claims within the full context of the consumer care plans and case records and reduce the recommended disallowance amount accordingly.

EPSDT

Regarding the EPSDT target group and the Database system known as the Child and Adolescent Reporting System (CAREs), the OIG draft report states,

However, the system does not allow providers to document services sufficiently to support the services rendered. Providers are only able to input the category of service, such as "Informing Services" or "Care Coordination", and cannot explain in detail the nature of services provided.

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These statements are not accurate. CARES has the capability for documenting narrative notes for each service provided, including case management and care coordination services. The CARES User Manual explains how to document the services and that there is room for this documentation. Attachment 4 provides screen prints and the narrative in these cases is adequate as described in Attachment 1.

Unallowable Outreach

Finding #2 on page 5 of the OIG draft report states:

4302.2(1) of the state Medicaid Manual lists activities that are not allowable TCM services. The attempt to contact individuals who may or may not be eligible for case management services does not fall under this definition.....

Statement of concurrence or nonconcurrence: The Iowa Department of Human Services concurs in part with the findings of the OIG. Medicaid policy has not allowed form letters to be claimed as TCM services. We concur with eleven (11) of the thirteen (13) cases deemed out of compliance. In those 11 the only activity noted was the letter. We do not concur and find that two (2) of the thirteen (13) have sufficient documentation to be allowed as TCM claims. There are a number of activities listed and it would have been acceptable had no letter been included. We respectfully recommend that the OIG reconsider their disallowance recommendation for these two claims and reduce the recommended disallowance amount accordingly. See summary in attachment 1.

Direct Medical Services

Finding #3 on page 6 of the OIG draft report states:

CMS's State Medicaid Director letter 01-013 issued January 19, 2001 refers to case management services as TCM when the services are furnished to specific populations in a state. "Medicaid case management services do not include payment for the provision of direct services (medical, educational, or social) to which the Medicaid eligible individual has been referred.

Statement of concurrence or nonconcurrence: The Iowa Department of Human Services concurs in part with the findings of the OIG. We concur with the findings in thirteen (13) cases and do not concur with the findings in two (2) cases. In those cases the activities that were documented are not medical services. We respectfully recommend that the OIG reconsider their disallowance recommendation for these two claims and reduce the recommended disallowance amount accordingly. See summary in attachment 1.

Lack of Sufficient Internal Controls

Finding #4 on page 6 of the OIG draft report states:

The State agency lacked sufficient internal controls to ensure that TCM services were in compliance with Federal requirements. Specifically, the State agency lacked sufficient

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oversight of : 1) documentation to support the provision of services; 2) services provided, to ensure that Federal requirements were met; and 3) its contracted providers, who submitted TCM claims for direct medical services.

We concur that Medicaid had inadequate internal controls at the time of the audit period. Attachment 2 reflects the improvement since the audit time frame. In addition, further improvements are planned and listed in Attachment 2. Attachment 3 describes the current process for oversight of the TCM programs. We have an established process to review the program at both the individual agency and at the state level. The process for oversight has been implemented by DHS and internal audits have consistently shown improvement in the service documentation. Medicaid monitors the TCM oversight plans to assess compliance with the program.