



April 27, 2010

Report Number: A-07-09-01078

Mr. Charles J. Krogmeier
Director
Iowa Department of Human Services
Hoover State Office Building, Fifth Floor
1305 East Walnut Street
Des Moines, IA 50319-0114

Dear Mr. Krogmeier:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Iowa Medicaid Payments for Home Health Agency Claims Paid to Ultimate Nursing Services of Iowa, Inc.* 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.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted 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 contact Chris Bresette, Audit Manager, at (816) 426-3201 or through email at Chris.Bresette@oig.hhs.gov. Please refer to report number A-07-09-01078 in all correspondence.

Sincerely,

/Patrick J. Cogley/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

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

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF IOWA MEDICAID
PAYMENTS FOR HOME HEALTH
AGENCY CLAIMS PAID TO ULTIMATE
NURSING SERVICES OF IOWA, INC.**



Daniel R. Levinson
Inspector General

April 2010
A-07-09-01078

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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Notices

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that
OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XIX of the Social Security Act, the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In Iowa, the Department of Human Services (State agency) administers the State's Medicaid program in accordance with its CMS-approved State plan.

A home health agency (HHA) provides skilled nursing services, home health aide services, and medical supplies and equipment to Medicaid recipients. Iowa Administrative Code 441-78.9(1) requires a physician to authorize these services on a plan of care, in advance and at a minimum reviewed every 62 days thereafter. Iowa Administrative Code 441-79.3(2) requires that HHAs maintain medical records supporting all services performed. HHAs submit claims to the State agency in order to receive compensation for the services they provide to Medicaid recipients.

The State agency then submits to CMS its Medicaid expenditures for the Federal share of its claimed costs. As part of its monitoring responsibilities to ensure that it pays medical claims pursuant to Federal and State requirements, the State agency had a process in place whereby it reviewed medical claims, including some HHA claims, on a postpayment basis in order to detect and recover improper payments. In January 2009, the State agency strengthened its internal controls regarding HHA claims, so that going forward it would randomly select and review 165 paid HHA claims each month.

Ultimate Nursing Services of Iowa, Inc. (Ultimate), is an HHA based in Waukee, Iowa. For the period April 1, 2008, through March 31, 2009, the State agency claimed \$6,278,195 (\$4,092,355 Federal share) for HHA services that Ultimate provided.

OBJECTIVE

Our objective was to determine whether the State agency claimed costs for HHA services provided by Ultimate in accordance with Federal and State requirements.

SUMMARY OF FINDINGS

The State agency claimed some costs for HHA services provided by Ultimate that were not in accordance with Federal or State requirements. Our review of the 100 claims in our sample showed that 30 claims had errors (1 claim had two types of errors) totaling \$8,985 (\$5,797 Federal share) of improper Medicaid reimbursement. The errors included 22 claims with unsupported services, 7 claims with unauthorized services, and 2 claims for which a billed service was not rendered.

Based on the results of our sample, we estimated that the State agency improperly claimed \$56,825 (\$37,681 Federal share) for HHA services provided by Ultimate that did not comply with Federal and State requirements. Although the State agency had a process in place to monitor some HHA claims on a postpayment basis, and although (as discussed earlier) the State agency enhanced this process in January 2009, these internal controls and related measures did not prevent the overpayments.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$37,681 to the Federal Government for unallowable HHA services claims and
- continue to strengthen internal controls to detect and recover improper payments for HHA services.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our findings and recommendations and described corrective actions that it had taken or planned to take. The State agency's comments appear in their entirety as Appendix C.

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INTRODUCTION

BACKGROUND

Medicaid Program and Home Health Agency Services

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 of the Act authorizes State Medicaid agencies to provide home health agency (HHA) services to Medicaid recipients. Pursuant to 42 CFR § 440.70, these services include skilled nursing services, home health aide services, and medical supplies and equipment. In addition, the HHA services may also include physical therapy, occupational therapy, or speech pathology and audiology services.

Iowa Department of Human Services

In Iowa, the Department of Human Services (State agency) administers the State's Medicaid program. During the period April 1, 2008, through March 31, 2009 (our audit period), the State agency paid approximately 134,000 Medicaid claims for HHA services.

The responsibilities of the State agency include processing and monitoring HHA claims. As part of its monitoring responsibilities to ensure that it pays medical claims pursuant to Federal and State requirements, the State agency had a process in place whereby it reviewed medical claims, including some HHA claims, on a postpayment basis in order to detect and recover improper payments. In January 2009, the State agency strengthened its internal controls regarding HHA claims, so that going forward it would randomly select and review 165 paid HHA claims each month.

On a quarterly basis, the State agency submits to CMS its standard Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64 report), to summarize, by category of service, Medicaid expenditures for Federal reimbursement. CMS reimburses the State agency the Federal share of the State agency's claimed costs, based on the Federal medical assistance percentage (FMAP). The State of Iowa's FMAP for the period April 1, 2008, through September 30, 2008, was 61.73 percent. The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, authorized the States to receive a higher FMAP. For the period October 1, 2008, through March 31, 2009, the State of Iowa's FMAP was increased to 68.82 percent under the provisions of the Recovery Act.

Iowa Home Health Agency Services

Iowa Administrative Code 441-78.9(1) requires a physician to authorize HHA services on a plan of care, in advance and at a minimum reviewed every 62 days thereafter. Specifically, the HHA must complete, for each Medicaid recipient, a plan of care that supports the medical necessity and intensity of services to be provided.

HHAs submit claims to the State agency in order to receive compensation for the services they provide to Medicaid recipients. According to Iowa Administrative Code 441-78.9, payments for HHA claims are made on an encounter basis, defined as separately identifiable hours in which the HHA staff provided continuous service to the recipient. (Payment for private duty nursing or personal care services for persons aged 20 and under is made on the basis of hourly units of service.) Iowa Administrative Code 441-79.3(2) requires that HHAs maintain complete and legible medical records supporting all services performed. HHAs submit claims covering a period of time to the State agency; each claim may contain multiple types of service.

For the period April 1, 2008, through March 31, 2009, the State agency claimed \$90.2 million (\$58.9 million Federal share) for all HHA services.

Ultimate Nursing Services of Iowa, Inc.

Ultimate Nursing Services of Iowa, Inc. (Ultimate), is an HHA based in Waukee, Iowa, that operates three separate locations in Waukee, Carroll, and Newton, all in Iowa. For the period April 1, 2008, through March 31, 2009, the State agency claimed \$6,278,195 (\$4,092,355 Federal share) for HHA services that Ultimate provided.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed costs for HHA services provided by Ultimate in accordance with Federal and State requirements.

Scope

We reviewed claims for HHA services totaling \$6,278,195¹ (\$4,092,355 Federal share) that Ultimate received from the State agency as reimbursement for the period April 1, 2008, through March 31, 2009.

We did not review the State agency's overall internal control structure because our objective did not require us to do so. We limited our internal control review to those controls related directly to processing and monitoring HHA claims.

¹ The individual claim totals for each location were as follows: Waukee (\$2,870,344), Carroll (\$2,156,691), and Newton (\$1,251,160).

We conducted our fieldwork from September through October 2009 at the State agency and at Ultimate's Waukee, Iowa, location.

Methodology

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, and other requirements regarding Medicaid reimbursement for HHA services, as well as the Iowa State plan,
- interviewed officials at the State agency to gain an understanding of how they administer and monitor the HHA Medicaid program;
- reconciled the State agency's electronic claims data, which included claims for Ultimate, to the CMS-64 reports for the period April 1, 2008, through March 31, 2009;
- selected a simple random sample of 100 HHA claims from Ultimate, totaling \$377,916 (\$245,560 Federal share);
- obtained and reviewed the supporting documentation for each sampled claim to determine the allowability of the claim; and
- provided the results of our review to officials from Ultimate on September 28, 2009, and discussed those results with State agency officials on October 28, 2009.

Appendixes A and B contain details of our sampling and projection methodologies.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

The State agency claimed some costs for HHA services provided by Ultimate that were not in accordance with Federal or State requirements. Our review of the 100 claims in our sample showed that 30 claims had errors (1 claim had two types of errors) totaling \$8,985 (\$5,797 Federal share) of improper Medicaid reimbursement. The errors included 22 claims with unsupported services, 7 claims with unauthorized services, and 2 claims for which a billed service was not rendered.

Based on the results of our sample, we estimated that the State agency improperly claimed \$56,825 (\$37,681 Federal share) for HHA services provided by Ultimate that did not comply with Federal and State requirements. Although the State agency had a process in place to monitor some HHA claims on a postpayment basis, and although (as discussed earlier) the State

agency enhanced this process in January 2009, these internal controls and related measures did not prevent the overpayments.

UNALLOWABLE HOME HEALTH AGENCY SERVICES

Unsupported Services

The CMS *State Medicaid Manual*, section 2500.2(A), requires that the State agency “[r]eport only expenditures for which all supporting documentation, in readily reviewable form, has been compiled and which is immediately available when the claim is filed.” (Emphasis in original.)

Further, Iowa Administrative Code 441–79.3(2) states: “A provider of service shall maintain complete and legible medical records for each service for which a charge is made....”

For 22 of the 100 sampled claims, the State agency did not claim some costs for HHA services pursuant to Federal and State requirements. For these 22 claims, Ultimate did not maintain medical records supporting services billed to the State agency.

For 1 of these 22 claims, Ultimate billed 4 units of skilled nursing services but was unable to provide us with any documentation to support the services billed.

Unauthorized Services

Pursuant to 42 CFR § 440.70, HHA services are provided to a recipient at his or her place of residence under a physician’s orders as a part of a written plan of care.

Iowa Administrative Code 441–78.9 states that payment shall be approved for “medically necessary home health agency services prescribed by a physician in a plan of home health care....” Additionally, Iowa Administrative Code 441–78.9(1) states that the plan of care shall support the medical necessity and intensity of services to be provided by showing, among other things, the type and frequency of the services to be rendered.

For 7 of the 100 sampled claims, the State agency did not claim some costs pursuant to these Federal and State requirements. Specifically, the State agency paid Ultimate for services (a) that were not included on the recipient’s plan of care or (b) for which the frequency of the services provided exceeded the limits prescribed on the recipient’s plan of care.

For one of these seven claims, Ultimate provided 34 home health aide visits that were not authorized on the plan of care. In another claim, Ultimate provided 17 hours of service in excess of authorized limits.

Billed Services Not Rendered

Iowa Administrative Code 441-78.9(7) states:

Payment shall be made for unskilled services provided by a home health aide.... Certain household services may be performed by the aide in order to prevent or postpone the member's institutionalization when the primary need of the member for home health aide services furnished is for personal care. If household services are incidental and do not substantially increase the time spent by the aide in the home, the entire visit is considered a covered service. Domestic or housekeeping services which are not related to patient care are not a covered service if personal care is not rendered during the visit.

For 2 of the 100 sampled claims, the State agency improperly claimed costs for home health aide services. For one claim, the supporting documentation showed that the home health aide did not provide any services. For the other claim, Ultimate provided housekeeping services without rendering personal care services, which is contrary to Iowa Administrative Code 441-78.9(7).

UNALLOWABLE CLAIMS FOR FEDERAL REIMBURSEMENT

Of the 100 HHA claims in our sample, 30 had errors totaling \$8,985 (\$5,797 Federal share) of improper Medicaid reimbursement. Based on the results of our sample, we estimated that the State agency improperly claimed \$56,825 (\$37,681 Federal share) for HHA services provided by Ultimate that did not comply with Federal and State requirements.

Although the State agency had a process in place to monitor some HHA claims on a postpayment basis, and although (as discussed earlier) the State agency enhanced this process in January 2009, these internal controls and related measures did not prevent the overpayments.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$37,681 to the Federal Government for unallowable HHA services claims and
- continue to strengthen internal controls to detect and recover improper payments for HHA services.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our findings and recommendations and described corrective actions that it had taken or planned to take. The State agency's comments appear in their entirety as Appendix C.

APPENDIXES

APPENDIX A: SAMPLE DESIGN AND METHODOLOGY

POPULATION

The population consisted of claims representing home health agency (HHA) services provided by Ultimate Nursing Services of Iowa, Inc. (Ultimate), for claims paid for the period April 1, 2008, through March 31, 2009.

SAMPLING FRAME

The sampling frame is a database of claim records consisting of 1,617 claims totaling \$6,278,195 (\$4,092,355 Federal share) for home health services paid to the provider Ultimate Nursing Services of Iowa during the period of April 1, 2008 through March 31, 2009.

SAMPLE UNIT

The sampling unit is one Medicaid paid claim.

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

We selected 100 sample units (paid claims).

SOURCE OF RANDOM NUMBERS

We generated the random numbers with the Office of Inspector General, Office of Audit Services, statistical software (RAT-STATS).

ESTIMATION METHODOLOGY

We used RAT-STATS to estimate the unallowable payments for home health services. Because of the significant increase in the Federal medical assistance percentage rate provided under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5, we made separate estimations for the total unallowable costs and for the Federal share of those unallowable costs.

APPENDIX B: SAMPLE RESULTS AND ESTIMATES

SAMPLE RESULTS

Frame Size	Frame Value	Sample Size	Value of Sample	Number With Unallowable Payments	Value of Unallowable Payments
1,617	\$6,278,195	100	\$377,916	30	\$8,985

ESTIMATES OF UNALLOWABLE PAYMENTS

(Limits Calculated for a 90-Percent Confidence Interval)

	Total Estimated Unallowable Payments	Total Estimated Unallowable Payments (Federal Share)
Point estimate	\$ 145,286	\$ 93,738
Lower limit	\$ 56,825	\$ 37,681
Upper limit	\$ 233,747	\$ 149,795

APPENDIX C: AUDITEE COMMENTS



STATE OF IOWA

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

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

MAR 24 2010

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

RE: Review of Iowa Medicaid Payments for Home Health Agency Claims Paid to:
Iowa Home Care, LLC: Report Number: A-07-09-01070 and
Ultimate Nursing Services of Iowa, Inc: Report Number: A-07-09-01078

Dear Mr. Cogley:

Enclosed please find comments from the Iowa Department of Human Services (DHS) on the February 23, 2010 draft reports concerning Office of Inspector General's (OIG) audits of Iowa Medicaid payments for Home Health claims paid to: Iowa Home Care, LLC and Ultimate Nursing Services of Iowa, Inc.

DHS appreciates the opportunity to respond to the draft reports and provide additional comments to be included in the final report. Questions about the attached response can be addressed to:

Ken Tigges, Executive Officer
Division of Fiscal Management
Iowa Department of Human Services
Hoover State Office Building, 1st Floor South
Des Moines, IA 50319-0114

Email: ktigges@dhs.state.ia.us
Phone: 515-281-6027

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

Sincerely,

A handwritten signature in black ink, appearing to read "Charles J. Krogmeier".

Charles J. Krogmeier
Director

CJK:lc:sn

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**IOWA DEPARTMENT OF HUMAN SERVICES
RESPONSE TO OIG DRAFT REPORTS**

**AUDIT OF IOWA MEDICAID PAYMENTS FOR
HOME HEALTH AGENCY CLAIMS PAID TO:
IOWA HOME CARE, LLC (Audit Report Number: A-07-09-01070)
AND**

ULTIMATE SERVICES OF IOWA, INC (Audit Report Number: A-07-09-01078)

General Comments

Home Health agencies provide a valuable service to Iowa's Medicaid Members. Home Health care is a medically necessary service that supports the aged and individuals with disabilities to remain in their homes rather than an institutional level of care. On February 23, 2010, the Office of Inspector General (OIG) provided the Iowa Department of Human Services (DHS) two draft audit reports, covering the period from April 1, 2008 through March 31, 2009, for Iowa's Medicaid payments for Home Health claims paid to:

1. Iowa Home Care, LLC (Iowa Home Care)
2. Ultimate Nursing Service of Iowa, Inc (Ultimate Nursing Services)

OIG Findings

In both audits, OIG found three types of claiming errors:

1. Unsupported Services -- documentation in the medical record was not sufficient to support the claimed service
2. Unauthorized Services -- claimed services were either not provided in a recipient's place of residence or consistent with the physician's order as documented in a written plan of care
3. Billed Services Not Rendered -- claimed unskilled services, such as housekeeping, were rendered, but not clearly related to patient care or in conjunction with personal care services during the same visit as required to be claimable.

Iowa Home Care

OIG reviewed 100 randomly sampled claims for services provided by Iowa Home Care and found that nine claims had errors (one claim had two types of errors). Four claims were for unsupported services, four were for unauthorized services, and two claims were billed for unskilled services that were rendered, but not related to patient care or in conjunction with personal care services during the same visit as required to be claimable.

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Ultimate Nursing Services

Of the 100 randomly sampled service claims from Ultimate Nursing Services, OIG found that thirty claims had errors (one had two types of errors). Twenty-two claims were for unsupported services, seven for unauthorized services, and two claims billed services that were not rendered.

Response to Findings

DHS concurs with the OIG findings. Program improvements have been implemented and additional improvements are planned as specified in the following.

Program Improvements Already Implemented

Since January 2009, DHS has strengthened its internal controls regarding Home Health claims. Referred to as the Retrospective Review process, on a monthly basis DHS randomly selects and reviews 165 post-payment home health claims for accuracy and compliance with requirements. If errors are found, DHS pursues payment recoupment.

Program Improvements Planned

- Individualized letters, outlining the findings and demanding reimbursement of the OIG calculated improper payment, will be sent to Iowa Home Health and Ultimate Nursing Services.
- An informational letter will be provided to all enrolled home health agency providers summarizing the audit findings and corrective actions.
- The Iowa Medicaid Enterprise (IME) Provider Services Unit, as part of their annual provider training, will offer a home health training module at eight sites across the State beginning in June 2010. The components of this training module will include:
 - Information to differentiate between the separate home health programs in the State
 - The hierarchy of program access
 - Home health service (clinical record) documentation requirements
 - Accurate billing codes and procedures
 - Summary of the retrospective review process for home health services during the initial year of implementation including identification of the major reasons for recoupment.
 - Summary of the OIG home health review and audit findings.
- The home health training module will also be available via webinar on the IME website following the conclusion of the statewide training for future provider reference.
- The IME Surveillance and Utilization Review (SURS) Unit has a regular process to review each provider type on an annual bases. For calendar year 2010, and ongoing, the number of home health agency reviews will increase by 25%.

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OIG Recommendation

Refund \$13,190 to the Federal Government for unallowable Medicaid Home Health service claiming from Iowa Home Care, LLC

Response to Recommendation

DHS concurs with the recommendation and upon issuance of the final report will work with the Kansas City Regional CMS office to make the necessary adjustment to refund \$13,190 to the Federal Government.

OIG Recommendation

Refund \$37,681 to the Federal Government for unallowable Medicaid Home Health service claiming from Ultimate Nursing Services of Iowa.

Response to Recommendation

DHS concurs with the recommendation and upon issuance of the final report will work with the Kansas City Regional CMS office to make the necessary adjustment to refund \$37,681 to the Federal Government.

OIG Recommendation

Continue to strengthen internal controls to detect and recover improper payments for Medicaid Home Health services.

Response to Recommendation

DHS concurs with the recommendation and will continue the corrective action as articulated in the *Program Improvements Already Made* and will implement corrections as stated in the *Program Improvements Planned* section of this response.

Further DHS Corrective Actions

The DHS IME routinely determines whether provider claiming or documentation practices follow Medicaid requirements. Whenever significant claiming or documentation practice errors are found, pertinent provider sanctions are applied. Due to Ultimate Nursing Services' significantly high error rate (i.e., 30% of claims audited had errors), further corrective actions are planned.

DHS IME Program Integrity staff will implement the following sanction on Ultimate Nursing Services: "*One hundred percent review of the provider's claims prior to payment*" pursuant to

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441 IAC 79.2(3)g. The sanction will begin the month following OIG's issuance of the final audit report.

This level of oversight will verify Ultimate Nursing Services' compliance with documentation and claiming requirements. DHS IME will reserve the right to indefinitely impose this sanction or impose a more serious and restricted sanction should Ultimate's claim error rate not be reduced.

To comply with this sanction, Ultimate Nursing Services must submit to the IME Surveillance and Utilization Review Services (SURS) Unit a copy of the Medicaid Home Health service case note that supports each claim or invoice submitted for payment. The IME SURS Unit will review the documentation and any claim not appropriately supported will be rejected as not eligible for payment. In addition, any documentation which does not meet the requirements of 441 IAC 79.3(249A) or standard claims processing requirements will be deemed null and void and the respective claim not eligible for payment.