



April 27, 2010

Report Number: A-07-10-01081

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*. 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-07-10-01081 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**



Daniel R. Levinson
Inspector General

April 2010
A-07-10-01081

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:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

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.

For the period April 1, 2008, through March 31, 2009, the State agency claimed HHA services totaling \$90.2 million (\$58.9 million Federal share) for 192 HHA providers. For this review, we reviewed 190 HHA providers throughout the State of Iowa that claimed a total of \$78.4 million (\$51.2 million Federal share) for HHA services.

OBJECTIVE

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

SUMMARY OF FINDINGS

The State agency claimed some costs for HHA services that were not in accordance with Federal or State requirements. Our review of the 100 claims in our sample showed that 7 claims had errors (1 claim had two types of errors) totaling \$697 (\$456 Federal share) of improper Medicaid reimbursement. The errors included 2 claims with unsupported services, 4 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 \$302,566 (\$199,165 Federal share) for HHA services provided by 190 HHA providers 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 \$199,165 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.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Medicaid Program and Home Health Agency Services	1
Iowa Department of Human Services	1
Iowa Home Health Agency Services	2
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective	2
Scope.....	2
Methodology	3
FINDINGS AND RECOMMENDATIONS	3
UNALLOWABLE HOME HEALTH AGENCY SERVICES	4
Unsupported Services	4
Unauthorized Services	4
Billed Services Not Rendered.....	4
UNALLOWABLE CLAIMS FOR FEDERAL REIMBURSEMENT	5
RECOMMENDATIONS	5
STATE AGENCY COMMENTS	5
APPENDIXES	
A: SAMPLE DESIGN AND METHODOLOGY	
B: SAMPLE RESULTS AND ESTIMATES	
C: STATE AGENCY COMMENTS	

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 HHA services totaling \$90.2 million (\$58.9 million Federal share) for 192 HHA providers. We are reviewing the amounts claimed for 2 of these 192 HHA providers (Iowa Home Care, LLC (\$5,505,664), and Ultimate Nursing Services of Iowa, Inc. (\$6,278,195)) in separate reports (A-07-09-01070 and A-07-09-01078, respectively).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We reviewed claims for 190 HHA providers throughout the State of Iowa totaling \$78,387,375 (\$51,156,239 Federal share) 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.

We conducted our fieldwork from November through December 2009 at the State agency in Des Moines, Iowa, and at the provider locations in our simple random sample.

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 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 190 HHA providers in the State of Iowa, totaling \$50,847 (\$32,962 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 and discussed those results with State agency officials on February 18, 2010.

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 that were not in accordance with Federal or State requirements. Our review of the 100 claims in our sample showed that 7 claims had errors (1 claim had two types of errors) totaling \$697 (\$456 Federal share) of improper Medicaid reimbursement. The errors included 2 claims with unsupported services, 4 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 \$302,566 (\$199,165 Federal share) for HHA services provided by 190 HHA providers 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 2 of the 100 sampled claims, the State agency did not claim some costs for HHA services pursuant to Federal and State requirements. For these 2 claims, home health agencies did not maintain medical records supporting services billed to the State agency.

For one of these two claims, a provider billed 4 units of home health aide 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 4 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 for services for which the frequency of the services provided exceeded the limits prescribed on the recipient’s plan of care.

For one of these four claims, one home health aide visit was billed in excess of the 2 visits authorized by the plan of care.

Billed Services Not Rendered

Iowa Administrative Code 441–78.9(7) states that payments shall be made for unskilled services provided by a home health aide.

For 2 of the 100 sampled claims, the State agency improperly claimed costs for home health aide services. For these claims, a home health aide visit was billed although no service was provided. In both claims, the visit note stated that the patient declined care.

UNALLOWABLE CLAIMS FOR FEDERAL REIMBURSEMENT

Of the 100 HHA claims in our sample, 7 had errors totaling \$697 (\$456 Federal share) of improper Medicaid reimbursement. Based on the results of our sample, we estimated that the State agency improperly claimed \$302,566 (\$199,165 Federal share) for HHA services provided by 190 HHA providers 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 \$199,165 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 paid for the period April 1, 2008, through March 31, 2009. The population includes only those claims paid to all providers that were not sampled as part of reviews A-07-09-01070 or A-07-09-01078.

SAMPLING FRAME

The sampling frame is a database of claim records consisting of 127,320 claims totaling \$78,387,375 (\$51,156,239 Federal share) for home health services paid for the period April 1, 2008, through March 31, 2009. The sampling frame includes only those claims paid to all providers that were not sampled as part of reviews A-07-09-01070 or A-07-09-01078.

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
127,320	\$78,387,375	100	\$50,847	7	\$697

ESTIMATES OF UNALLOWABLE PAYMENTS
(Limits Calculated for a 90-Percent Confidence Interval)

	Total Estimated Unallowable Services	Total Estimated Unallowable Services (Federal Share)
Point estimate	\$ 887,280	\$ 581,185
Lower limit	\$ 302,566	\$ 199,165
Upper limit	\$ 1,471,995	\$ 963,205

APPENDIX C: AUDITEE COMMENTS



STATE OF IOWA

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

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

APR 5 2010

Patrick J. Cogley
Regional Inspector General for Audit Services
Office of Inspector General
Region VII
601 East 12th Street, Room 0429
Kansas City, MO 64106

RE: Review of Iowa Medicaid Payments for Home Health Agency Claims
Report Number: A-07-10-01081

Dear Mr. Cogley:

Enclosed please find comments from the Iowa Department of Human Services (DHS) on the March 10, 2010 draft report concerning Office of Inspector General's (OIG) audit of Iowa Medicaid payments for Home Health claims.

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", written over a horizontal line.

Charles J. Krogmeier
Director

CJK:lc:sn

- 2 -

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

**AUDIT OF IOWA MEDICAID PAYMENTS FOR
HOME HEALTH AGENCY CLAIMS
REPORT NUMBER: A-07-10-01081**

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 elderly and individuals with disabilities to remain in their homes rather than an institutional level of care. On March 10, 2010, the Office of Inspector General (OIG) provided the Iowa Department of Human Services (DHS) a draft audit report, covering the period from April 1, 2008 through March 31, 2009, for Iowa's Medicaid payments for Home Health claims.

OIG Findings

OIG found three types of claiming errors:

1. Unsupported Services – medical records were not maintained supporting services billed.
2. Unauthorized Services - claimed services exceeded the limits prescribed in the member's plan of care.
3. Billed Services Not Rendered – claimed services were not provided to the Medicaid member.

OIG reviewed 100 randomly sampled claims for services provided from those submitted by 190 HHA providers throughout the State of Iowa. In this review of 100 Statewide HHA claims, OIG found that seven claims had errors. One claim had two types of errors. The errors included two claims with unsupported services; four claims with unauthorized services; and two claims for services not rendered. In both of these claims for services not rendered, the case notes stated that the member declined care.

Response

DHS concurs with the OIG findings. Program improvements have been implemented and additional improvements are planned. See the following DHS responses to the OIG recommendations for more detail.

OIG Recommendation

Refund \$199,165 to the Federal government for unallowable Medicaid Home Health service claims.

- 3 -

Response

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 \$199,165 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.

Program Improvements Already Implemented

Since January 2009, DHS has strengthened its internal controls regarding Home Health claims for the Home Health Services Program [Iowa Medicaid State Plan benefit for adults (primarily) and for children with limited HHS Program needs]. 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

- The Retrospective Review process will be expanded to include a random sample claim review and recoupment process for the EPSDT Private Duty Nursing and Personal Care Program. This program is also an Iowa Medicaid State Plan benefit; however, the beneficiaries of this benefit are children with high medical needs that exceed the benefits allowed through the Home Health Services Program.
- Individualized letters, outlining the findings and demanding reimbursement of the OIG calculated improper payment, will be sent to the Home Health agencies that received improper payments.
- 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

- 4 -

- 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 basis. For calendar year 2010, and ongoing, the number of home health agency reviews will increase by 25%.