



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region VII
601 East 12th Street, Room 0429
Kansas City, MO 64106

August 23, 2010

Report Number: A-07-10-01088

Ms. Joan Henneberry
Executive Director
Colorado Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO 80203

Dear Ms. Henneberry:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Colorado Medicaid Payments for Home Health Agency Claims Paid to Professional Pediatric Home Care, Inc.* We will forward a copy of this report to the HHS action official noted below.

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 direct them to the HHS action official. Please refer to report number A-07-10-01088 in all correspondence.

Sincerely,

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

Enclosure

HHS Action Official:

Ms. Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
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Chicago, IL 60601

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF COLORADO MEDICAID
PAYMENTS FOR HOME HEALTH
AGENCY CLAIMS PAID TO
PROFESSIONAL PEDIATRIC
HOME CARE, INC.**



Daniel R. Levinson
Inspector General

August 2010
A-07-10-01088

Office of Inspector General

<http://oig.hhs.gov>

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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 Colorado, the Department of Health Care Policy and Financing (State agency) administers the State's Medicaid program in accordance with its CMS-approved State plan.

A home health agency (HHA) provides nursing services, home health aide services, and therapy services to Medicaid recipients. State regulations at 10 Code of Colorado Regulations (CCR) 2505-10, section 8.523.11, specify that HHA services are eligible for reimbursement under Medicaid only when the services are provided under a physician-signed plan of care and are medically necessary. Further, according to 10 CCR 2505-10, section 8.130.2, each provider shall maintain legible records necessary to disclose the nature and extent of goods and services provided to clients, records which fully substantiate or verify claims submitted for payment. HHAs submit claims to the State agency in order to receive compensation for the services they provide to Medicaid recipients.

The responsibilities of the State agency include processing and monitoring HHA claims. As part of its monitoring responsibilities, and to ensure that it pays medical claims pursuant to Federal and State requirements, the State agency's Medicaid Quality Assurance Unit periodically conducts post-payment reviews of selected HHA services. The State agency then submits to CMS its Medicaid expenditures for the Federal share of its claimed costs.

Professional Pediatric Home Care, Inc. (PPHC), is an HHA based in Greenwood Village, Colorado. For the period October 1, 2008, through September 30, 2009, the State agency claimed \$10,000,784 (\$6,023,390 Federal share) for HHA services that PPHC provided.

OBJECTIVE

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

RESULTS OF REVIEW

For the 100 sampled beneficiary-months that we reviewed, we determined that the State agency claimed costs for HHA services provided by PPHC in accordance with Federal and State requirements. Specifically, PPHC (1) maintained medical records supporting all services performed and (2) ensured that the services were performed as authorized in the physicians' signed plans of care.

This report makes no recommendations.

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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, physical therapy, occupational therapy, and speech pathology and audiology services.

Colorado Department of Health Care Policy and Financing

In Colorado, the Department of Health Care Policy and Financing (State agency) administers the State's Medicaid program. During the period October 1, 2008, through September 30, 2009 (our audit period), the State agency paid approximately 230,000 Medicaid claims for HHA services. We grouped the claims into 79,860 beneficiary-months (a beneficiary-month represents a payment for one beneficiary for one month).

The responsibilities of the State agency include processing and monitoring HHA claims. As part of its monitoring responsibilities, and to ensure that it pays medical claims pursuant to Federal and State requirements, the State agency's Medicaid Quality Assurance Unit periodically conducts post-payment reviews of selected HHA services.

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 Colorado's FMAP for our audit period was originally 50.00 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 Colorado's FMAP was increased to 58.78 percent under the provisions of the Recovery Act. For the period April 1, 2009, through September 30, 2009, the State of Colorado's FMAP was increased to 61.59 percent under these same provisions.

Colorado Home Health Agency Services

State regulations at 10 Code of Colorado Regulations (CCR) 2505-10, section 8.523.11, require that HHA services be provided under a plan of care as ordered and signed by a physician. Specifically, pursuant to Federal regulations at 42 CFR § 484.18, the plan of care must cover the types of services required and the frequency of visits.

HHAs submit claims to the State agency in order to receive compensation for the services they provide to Medicaid recipients. According to 10 CCR 2505-10, section 8.528.11, reimbursement for the services of nursing, physical therapy, occupational therapy, and speech therapy is made on a per-visit basis, whereby a visit is defined as the length of time required to provide the needed care, up to a maximum of two and one-half hours. Home health aide services are reimbursed through the use of two billing units: Basic Units (the first hour of the visit) and, for visits that last longer than one hour, Extended Units (increments of fifteen minutes up to one-half hour). In addition, pursuant to 10 CCR 2505-10, section 8.523.11, HHA services are eligible for reimbursement under Medicaid only when the services are provided under a physician-signed plan of care and are medically necessary. Further, according to 10 CCR 2505-10, section 8.130.2, each provider shall maintain legible records necessary to disclose the nature and extent of goods and services provided to clients, records which fully substantiate or verify claims submitted for payment. HHAs submit claims covering a period of time to the State agency; each claim may contain multiple types of service.

For the period October 1, 2008, through September 30, 2009, the State agency claimed HHA services totaling approximately \$158.4 million (approximately \$95.4 million Federal share) for 127 HHA providers.

Professional Pediatric Home Care, Inc.

Professional Pediatric Home Care, Inc. (PPHC), is an HHA based in Greenwood Village, Colorado. For the period October 1, 2008, through September 30, 2009, the State agency claimed \$10,000,784 (\$6,023,390 Federal share) for HHA services that PPHC provided.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We reviewed claims for HHA services totaling \$10,000,784 (\$6,023,390 Federal share) that PPHC received from the State agency as reimbursement for the period October 1, 2008, through September 30, 2009.

We did not review the State agency's overall internal control structure because our objective did not require us to do so. We did not review the HHA claims in our simple random sample (discussed below) to determine medical necessity. We limited our internal control review to those controls related directly to processing and monitoring HHA claims.

We conducted our fieldwork from February through June 2010 at the State agency and at PPHC's Greenwood Village, Colorado, location.

Methodology

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, and other requirements regarding Medicaid reimbursement for HHA services,
- interviewed officials at the State agency to gain an understanding of how they administer and monitor the Medicaid HHA program;
- reconciled the State agency's electronic claims data to the CMS-64 reports for the period October 1, 2008, through September 30, 2009;
- grouped the claims data for PPHC into 6,126 beneficiary-months;
- selected a simple random sample of 100 HHA beneficiary-months of claims from PPHC, totaling \$156,365 (\$94,085 Federal share);
- obtained and reviewed the supporting documentation for each sampled beneficiary-month to determine the allowability of the services claimed; and
- provided the results of our review to officials from PPHC on March 12, 2010, and discussed those results with State agency officials on June 21, 2010.

The appendix details our sampling methodology.

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.

RESULTS OF REVIEW

For the 100 sampled beneficiary-months that we reviewed, we determined that the State agency claimed costs for HHA services provided by PPHC in accordance with Federal and State requirements. Specifically, PPHC (1) maintained medical records supporting all services

performed and (2) ensured that the services were performed as authorized in the physicians' signed plans of care.

This report makes no recommendations.

APPENDIX

APPENDIX: SAMPLE DESIGN AND METHODOLOGY

POPULATION

The population consisted of beneficiary-months (a beneficiary-month represents a payment for one beneficiary for one month) representing home health agency (HHA) services provided by Professional Pediatric Home Care, Inc. (PPHC), for claims paid for the period October 1, 2008, through September 30, 2009.

SAMPLING FRAME

The sampling frame is a database of beneficiary-months consisting of 6,126 beneficiary-months totaling \$10,000,784 (\$6,023,390 Federal share) for home health services paid to the provider PPHC during the period October 1, 2008, through September 30, 2009.

SAMPLE UNIT

The sampling unit is one beneficiary-month.

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

We selected 100 sample units (beneficiary-months).

SOURCE OF RANDOM NUMBERS

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