

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MISSOURI CLAIMED UNALLOWABLE
MEDICAID PAYMENTS FOR
TARGETED CASE MANAGEMENT
SERVICES PROVIDED TO
INDIVIDUALS WITH
DEVELOPMENTAL DISABILITIES**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



Gloria L. Jarmon
Deputy Inspector General
for Audit Services

October 2014
A-07-13-03193

Office of Inspector General

<http://oig.hhs.gov/>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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EXECUTIVE SUMMARY

Missouri claimed \$11.5 million of unallowable Medicaid payments for Targeted Case Management services provided to individuals with developmental disabilities during State fiscal years 2011 through 2013.

WHY WE DID THIS REVIEW

In Missouri, the Department of Social Services, Missouri HealthNet Division (State agency), administers Missouri's Medicaid program and pays for Targeted Case Management (TCM) services at a predetermined payment rate. Missouri has designated four target groups that are provided TCM services. We reviewed TCM services that Missouri provided to individuals with developmental disabilities, which is one of the four target groups. Therefore, in this report, when we refer to TCM services, we are referring to TCM services provided only to individuals with developmental disabilities.

We focused only on TCM services because the State agency was required to rebase the payment rate and adjust it by the applicable Consumer Price Index (CPI) for these services provided in State fiscal year (SFY) 2011 (July 1, 2010, through June 30, 2011). The SFY 2011 payment rate was then required to be adjusted by the applicable CPI for each year following.

The objective of this review was to determine whether the State agency's Medicaid payment rates for TCM services provided and paid for in SFYs 2011 through 2013 were in accordance with the approved State plan.

BACKGROUND

The Missouri Department of Mental Health (DMH) regional State offices and other providers (i.e., Senate Bill 40 boards, affiliated community services providers, and not-for-profit agencies) provide TCM services. All providers in Missouri are reimbursed at the same payment rate for TCM services.

The State plan specifies the method for establishing the payment rate per unit of service. The State plan requires that the initial payment rate be based on the weighted average cost per unit of all providers and that this payment rate include a CPI adjustment. The payment rate is thereafter adjusted annually using the applicable CPI until the rate is rebased again. Rebasement of the payment rate is required every 10 years. In Missouri, the initial payment rate was established using providers' fiscal year (FY) 2000 cost reports. Accordingly, the State agency was required to rebase the payment rate using all providers' FY 2010 cost reports. The rebased payment rate, adjusted by the CPI, would then be effective for TCM services provided at the beginning of SFY 2011 (July 1, 2010).

WHAT WE FOUND

The State agency's payment rates for TCM services provided and paid for during SFYs 2011 through 2013 were not in accordance with the approved State plan. Specifically, the State agency did not calculate the rebased payment rate that was effective at the beginning of SFY 2011 in accordance with the State plan. The State agency increased the SFYs 2012 and 2013 payment rates by the applicable CPI in accordance with the State plan. However, because the rebased payment rate was incorrect, the payment rates for SFYs 2011 through 2013 were all incorrect. Any payment rates for subsequent years would also be incorrect.

Because the State agency did not correctly calculate the rebased payment rate for TCM services, it claimed unallowable Medicaid payments of \$17,399,458 (\$11,464,069 Federal share) during SFYs 2011 through 2013.

WHAT WE RECOMMEND

We recommend that the State agency:

- refund \$11,464,069 to the Federal Government,
- adjust future payment rates for TCM services and work with the Centers for Medicare & Medicaid Services to determine the unallowable Medicaid payments that should be refunded to the Federal Government, and
- follow the State plan requirements for the calculation of rebased payment rates for TCM services.

STATE AGENCY COMMENTS AND OUR RESPONSE

In written comments on our draft report, the State agency did not specifically address our recommendations. Instead, it gave us six amended provider cost reports, reflecting costs not included in the original documentation given to us. The State agency added that it and DMH would disagree with our findings (which in our draft report totaled \$20,407,044 (\$13,444,737 Federal share) in questioned costs) until we had considered all of the amended cost reports. The State agency also said that we had agreed to revise the payment rate for SFY 2011 by including the applicable CPI in the rebased payment rate.

After reviewing the State agency's comments and the additional documentation that the State agency provided, we adjusted our calculation of the rebased payment rate and revised our findings. We also revised some of the background and audit methodology discussions as necessary. In addition, we included the applicable CPI and revised the SFY 2011 payment rate, which, in turn, affected the SFYs 2012 and 2013 payment rates. We applied our revised payment rates to the actual claims for TCM services provided and paid for during SFYs 2011 through 2013; these revised payment rates are reflected in the questioned costs that appear in this final report.

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INTRODUCTION

WHY WE DID THIS REVIEW

In Missouri, the Department of Social Services, Missouri HealthNet Division (State agency), administers Missouri's Medicaid program and pays for Targeted Case Management (TCM) services at a predetermined payment rate. Missouri has designated four target groups that are provided TCM services. We reviewed TCM services that Missouri provided to individuals with developmental disabilities, which is one of the four target groups. Therefore, in this report, when we refer to TCM services, we are referring to TCM services provided only to individuals with developmental disabilities.

We focused only on TCM services because the State agency was required to rebase the payment rate and adjust it by the applicable Consumer Price Index (CPI) for these services provided in State fiscal year (SFY) 2011 (July 1, 2010, through June 30, 2011). The SFY 2011 payment rate was then required to be adjusted by the applicable CPI for each year following.

OBJECTIVE

Our objective was to determine whether the State agency's Medicaid payment rates for TCM services provided and paid for in SFYs 2011 through 2013 were in accordance with the approved State plan.

BACKGROUND

Medicaid Program

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.

States use the standard Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64 report), to report actual Medicaid expenditures for each quarter. CMS uses the CMS-64 reports to reimburse States for the Federal share of Medicaid expenditures. The amounts that States report on the CMS-64 report and its attachments must be actual expenditures with supporting documentation. The amount that the Federal Government reimburses to State Medicaid agencies, known as Federal financial participation or Federal share, is determined by the Federal medical assistance percentage (FMAP), which varies based on a State's relative per capita income. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase or decrease FMAPs at any time. During our audit period, Missouri's FMAP ranged from 63.29 percent to 74.43 percent.¹

¹ Under the provisions of the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5, as amended by P.L. No. 111-226, States' FMAPs were temporarily increased for the period October 1, 2008, through June 30, 2011.

Missouri Medicaid Program

In Missouri, the State agency administers the provision and payment of Medicaid services. The State agency uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process and pay Medicaid claims.

Missouri Targeted Case Management Services

TCM services are defined as services that will assist individuals eligible under the State plan in gaining access to needed medical, social, educational, and other services (the Missouri State plan, Attachment 3.1-A, page 2d). The Missouri Department of Mental Health (DMH) regional State offices and other providers (i.e., Senate Bill 40 boards,² affiliated community services providers, and not-for-profit agencies) provide TCM services. All providers, statewide, are reimbursed at the same payment rate for TCM services.

The State plan specifies the method for establishing the payment rate per unit of service (Attachment 4-19B, page 4aaa). The State plan requires that the initial payment rate be based on the weighted average cost per unit of all providers and that this payment rate include a CPI adjustment. The payment rate is thereafter adjusted annually using the applicable CPI until the rate is rebased again. Rebased the payment rate is required every 10 years. In Missouri, the initial payment rate was established using providers' fiscal year (FY) 2000 cost reports.³ Accordingly, the State agency was required to rebase the payment rate using all providers' FY 2010 cost reports. The rebased payment rate, adjusted by the CPI, would then be effective for TCM services provided at the beginning of SFY 2011 (July 1, 2010).

HOW WE CONDUCTED THIS REVIEW

We reviewed the payment rates used to calculate the Medicaid payments to providers for TCM services provided and paid for during SFYs 2011 through 2013 (July 1, 2010, through June 30, 2013). The State agency claimed Federal reimbursement totaling \$175,958,168 (\$115,981,240 Federal share) for TCM services provided and paid for during this period.

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 objectives.

Appendix A contains details of our audit scope and methodology.

² Senate Bill 40 boards are boards of directors appointed by County Commissioners to establish and operate sheltered workshops, residence facilities, or related services for the care or employment of persons with developmental disabilities.

³ Because in practice individual providers can establish their own FYs, we are differentiating in this report between provider FYs, whose timeframes may vary from one provider to the next, and the SFY, which for Missouri runs from July 1, 2010, through June 30, 2011.

FINDINGS

The State agency's payment rates for TCM services provided and paid for during SFYs 2011 through 2013 were not in accordance with the approved State plan. Specifically, the State agency did not calculate the rebased payment rate that was effective at the beginning of SFY 2011 in accordance with the State plan. The State agency increased the SFYs 2012 and 2013 payment rates by the applicable CPI in accordance with the State plan. However, because the rebased payment rate was incorrect, the payment rates for SFYs 2011 through 2013 were all incorrect. Any payment rates for subsequent years would also be incorrect.

Because the State agency did not correctly calculate the rebased payment rate for TCM services, it claimed unallowable Medicaid payments of \$17,399,458 (\$11,464,069 Federal share) during SFYs 2011 through 2013.

MEDICAID PAYMENT RATES DID NOT CONFORM WITH THE APPROVED STATE PLAN

State Plan Requirements

The State plan specifies the method for establishing the payment rate per unit of service (Attachment 4-19B, page 4aaa). Additionally, the State plan requires that all providers' cost reports are to be used in establishing the payment rate per unit for TCM services.

Details on the State plan requirements related to Medicaid payments for TCM services appear in Appendix B.

Missouri's Medicaid Payment Rate Did Not Comply With State Plan Requirements

The State agency did not calculate the rebased payment rate for TCM services that was effective at the beginning of SFY 2011 in accordance with the State plan. In calculating the rebased payment rate, the State agency used only the DMH regional State offices' and 10 of the 38 other providers' cost reports.⁴ In addition, although the State plan required the State agency to use all providers' cost reports from FY 2010, the State agency used some providers' FY 2011 cost reports to calculate the rebased payment rate. Because it did not conform to the provisions of the State plan, the State agency calculated an incorrect rebased payment rate, which made the SFYs 2011 through 2013 payment rates, as well as any subsequent year's payment rates, also incorrect.

We calculated the rebased payment rate using all TCM providers' cost reports from FY 2010, in accordance with the State plan. The total allowable costs reported were \$61,295,284, and the total units of TCM services that providers reported were 8,912,827. Therefore, our calculation resulted in a rebased payment rate of \$6.88. We then adjusted the rebased payment rate by the applicable CPI of 1.60 percent, in accordance with the State plan, to determine the SFY 2011

⁴ The State agency used the 10 other providers that had the highest costs and the most units reported on their cost reports.

payment rate of \$6.99. The Table compares the payment rates used by the State agency with our calculated payment rates.

Table: Comparison of Calculated Payment Rates for TCM Services

SFY	State Agency-Calculated Payment Rates for TCM Services	Office of Inspector General-Calculated Payment Rates for TCM Services
2011	\$7.78	\$6.99
2012 ⁵	\$8.05	\$7.23
2013 ⁵	\$8.23	\$7.39

STATE AGENCY DID NOT FOLLOW THE STATE PLAN REQUIREMENTS

The State agency did not follow the State plan requirements for the calculation of the rebased payment rate for TCM services. Although State agency staff performed the steps described above to calculate the rebased payment rate for TCM services that was effective at the beginning of SFY 2011, the staff did not use all providers’ cost reports from FY 2010 in its calculation.

STATE AGENCY CLAIMED UNALLOWABLE MEDICAID PAYMENTS

Applying our payment rates to actual units claimed for TCM services provided and paid for in SFYs 2011 through 2013, we determined that the State agency claimed unallowable Medicaid payments of \$17,399,458 (\$11,464,069 Federal share).

RECOMMENDATIONS

We recommend that the State agency:

- refund \$11,464,069 to the Federal Government,
- adjust future payment rates for TCM services and work with CMS to determine the unallowable Medicaid payments that should be refunded to the Federal Government, and
- follow the State plan requirements for the calculation of rebased payment rates for TCM services.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency did not specifically address our recommendations. Instead, it gave us six amended provider cost reports, reflecting costs not included in the original documentation given to us. The State agency added that it and DMH

⁵ Payment rates for SFYs 2012 and 2013 are calculated by adjusting the previous SFY’s payment rate by the CPI. The CPIs used to adjust SFY 2012 and 2013 payment rates for TCM services were 3.47 percent and 2.24 percent, respectively.

would disagree with our findings (which in our draft report totaled \$20,407,044 (\$13,444,737 Federal share) in questioned costs) until we had considered all of the amended cost reports.

The State agency also said that we had agreed to revise the payment rate for SFY 2011 by including the applicable CPI in the rebased payment rate. (The State agency referred to this revision as “adjusting the base year” in its comments.)

The State agency’s comments, excluding 14 pages that contain proprietary and technical information, appear as Appendix C. We are providing the State agency’s comments in their entirety to CMS.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency’s comments and the additional documentation that the State agency provided in response to our followup request, we adjusted our calculation of the rebased payment rate and revised our findings. Specifically, for the amended provider cost reports that we found to be adequately supported, we applied the costs to our calculation of the rebased payment rate. This resulted in the rebased payment rate changing from \$6.86 (as stated in our draft report) to \$6.88. We also revised some of the background and audit methodology discussions as necessary.

In addition, after revising the rebased payment rate, we included the applicable CPI and revised the SFY 2011 payment rate, which, in turn, affected the SFYs 2012 and 2013 payment rates. We applied our revised payment rates to the actual MMIS claims for TCM services provided and paid for during SFYs 2011 through 2013; these revised payment rates are reflected in the questioned costs that appear in this final report.

OTHER MATTERS

During our review, State agency officials informed us that DMH regional State offices were beginning to provide fewer TCM services while the other providers were providing an increasing percentage of those services. Using MMIS claims paid data from SFYs 2010 through 2013, we determined that the percentage of units of service claimed by DMH regional State offices had decreased from 48 percent to 29 percent. As a result, the percentage of units of service claimed by other providers increased from 52 percent to 71 percent. According to State agency officials, the purpose of this shift was to reduce costs at the State level while ensuring that clients had convenient access to services.

To estimate cost savings available to the Federal Government and the State agency if the DMH regional State offices stop providing TCM services, we compared the payment rate for SFY 2011 (\$6.99) to what the payment rate would have been if there were no DMH regional State offices providing TCM services (\$5.88). We estimated that the Federal Government and the State agency, combined, could potentially save \$1.11 per unit of service. When applied to an average of 7.2 million total units of service claimed during SFYs 2011 through 2013, the difference could have added up to more than \$8 million in potential cost savings per year. However, these savings could only be realized if the State agency rebases its TCM payment rate before the next

scheduled rebase year (SFY 2021) and if the DMH regional State offices are, in fact, relieved of the responsibility for providing TCM services.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the payment rates used to calculate the Medicaid payments to providers for TCM services that were provided and paid for during SFYs 2011 through 2013 (July 1, 2010, through June 30, 2013). The State agency claimed Federal reimbursement totaling \$175,958,168 (\$115,981,240 Federal share) for TCM services during this period.

We did not perform a detailed review of the State agency's internal controls because our objective did not require us to do so. We limited our review to the controls that pertained directly to our objective.

We conducted fieldwork at the State agency in Jefferson City, Missouri; a DMH State regional office in Columbia, Missouri; and four other providers located in various locations throughout Missouri; from June 2013 through January 2014.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, Federal and State regulations, and the approved State plan;
- held discussions with officials from the State agency and DMH to gain an understanding of Missouri's payment rate methodology for TCM services;
- reviewed MMIS claim payment data for TCM services provided and paid for in SFYs 2010 through 2013;
- reconciled the MMIS claim payment data for TCM services to the Medicaid payments claimed on the CMS-64 reports for SFY 2013;
- identified the providers who provided TCM services from the SFY 2010 MMIS claim payment data;
- reviewed all TCM providers' cost reports for FY 2010;
- judgmentally selected a sample of five TCM providers and conducted onsite visits to (1) gain an understanding of how TCM services are accounted for and the facilities' procedures for claiming Medicaid reimbursement and (2) cross-reference the costs and units reported with supporting documentation;

- performed desk reviews on the remaining providers' cost reports to determine whether costs reported were allowable and whether the units reported were reasonable;⁶
- calculated the rebased payment rate for TCM services in accordance with the State plan by dividing the total allowable costs by the total units reported using all of the providers' FY 2010 cost reports;
- adjusted the rebased payment rate for TCM services by the applicable CPI percentage to determine the SFYs 2011, 2012, and 2013 payment rates for TCM services;
- determined the allowable Medicaid payments for TCM services by applying the payment rates that we calculated to the actual MMIS claims for TCM services provided and paid for during SFYs 2011 through 2013;
- determined the unallowable Medicaid payments for TCM services by comparing the allowable Medicaid payments to the Medicaid payments that the State agency actually paid for TCM services for SFYs 2011 through 2013;
- discussed the results of our review with State agency officials on February 20, 2014;
- reviewed cost report supporting documentation for the six amended provider cost reports that the State agency gave us after the issuance of our draft report;
- determined which costs from the six amended provider cost reports were adequately supported, then applied those costs to our calculation of the rebased payment rate; and
- provided the results of our review of the six amended provider cost reports and the resulting revised findings to DMH on August 22, 2014.

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 objectives.

⁶ Because we found no discrepancies when cross-referencing the costs and units with supporting documentation in our judgmental sample of five TCM providers, we performed only desk reviews on the remaining providers. The desk reviews consisted of (1) reviewing the line items from the submitted provider cost reports to determine whether any costs appeared to be unallowable and (2) comparing the units of service reported on the provider cost reports to the units of service claimed in the MMIS data to determine whether the units appeared to be reasonable.

APPENDIX B: STATE PLAN REQUIREMENTS RELATED TO MEDICAID PAYMENTS FOR TARGETED CASE MANAGEMENT SERVICES

The State plan, Attachment 3.1-A, page 2d, defines case management for developmentally disabled individuals as "... a system intended to assist eligible individuals in gaining access to needed medical, social, educational, and other services. In order to assist the individual client comprehensively, the responsibility for locating, coordinating, and monitoring those services which are needed by each client is placed with a designated person or organization." Case management activities include assessment of an eligible individual's need for medical, social, educational, and other services, and planning for delivery of those services, to include the development and periodic review of an individualized service plan for the client.

The State plan, Attachment 4-19B, page 4aaa, provides the method for establishing payment rates for TCM services:

For employees of the state, county SB-40 [Senate Bill 40; see footnote 2] boards, affiliated community service providers, and not-for-profits: The initial uniform prospective hourly fee for case management will be established based on the weighted average hourly cost of all providers as calculated from providers' most recent available cost reports. The initial calculated fee, which will be based on costs for FY '00, will include an annual and, if appropriate, partial year inflation factor. Annually thereafter until rebasing, on July 1 the previous year's uniform hourly fee will be adjusted by the Consumer Price Index as determined by the Bureau of Labor Statistics or, if available, a Missouri-specific health care index of inflation. The uniform prospective hourly fee will be rebased at least once every ten years. For each rebasing year, the uniform prospective hourly fee will be calculated in the same manner as the initial fee described above. The unit of service is 5 minutes. The uniform prospective hourly fee is further computed to a 5 minute fee. All providers, statewide, are reimbursed at the same fee.

APPENDIX C: STATE AGENCY COMMENTS



JEREMIAH W. (JAY) NIXON, GOVERNOR • BRIAN KINKADE, DIRECTOR

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July 17, 2014

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

Re: OIG Report No. A-07-13-03193

Dear Mr. Cogley:

Please find the Missouri Department of Social Services ("DSS") comments on the Office of Inspector General's ("OIG") draft report entitled *Missouri Claimed Unallowable Medicaid Payments for Targeted Case Management Services Provided to Individuals With Developmental Disabilities*. The draft audit included the following recommendations:

- Refund \$13,444,737 to the Federal Government;
- Adjust future payment rates for TCM services and work with the CMS to determine the unallowable Medicaid payments that should be refunded to the Federal Government; and
- Follow the State plan requirements for the calculation of rebased payment rates for TCM services.

DSS understands after discussions with the Department of Mental Health, Division of Developmental Disabilities (DMH/DD), the OIG agreed to revise the questioned costs included in this report by adjusting the base year using the Consumer Price Index. This calculation reduced the disallowance amount to approximately \$11.0 million. It is our understanding the draft report will be revised to reflect this revised calculation.

DMH/DD staff also reviewed the TCM cost report information submitted by Targeted Case Management providers to the OIG staff. After review of these cost reports, DMH/DD discovered additional costs that were not included in the original information submitted to the OIG. DMH/DD has received amended cost reports for six providers; copies of these documents are enclosed for the OIG's consideration. DSS and DMH/DD will disagree with the findings until all amended costs reports have been considered.

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Patrick J. Cogley
July 17, 2014
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Please contact Jennifer Tidball at (573)751-7533 if you have further questions or need additional information regarding this audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "BK", is positioned above the printed name and title.

Brian D. Kinkade
Director

BDK:bsb

Enclosures