

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NORTH DAKOTA CLAIMED SOME
UNALLOWABLE MEDICAID
PAYMENTS FOR TARGETED CASE
MANAGEMENT SERVICES**

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EXECUTIVE SUMMARY

North Dakota claimed at least \$349,000 of unallowable Medicaid reimbursement and an estimated \$862,000 of potentially unallowable Medicaid reimbursement for targeted case management services during Federal fiscal years 2013 and 2014.

WHY WE DID THIS REVIEW

Case management services assist Medicaid recipients in gaining access to medical, social, educational, and other types of services. When these services are furnished to one or more specific populations within a State, they are known as Targeted Case Management (TCM) services. Previous Office of Inspector General reviews found that some States did not always claim Federal Medicaid reimbursement for TCM services in accordance with Federal and State requirements.

The objective of this review was to determine whether the North Dakota Department of Human Services' (State agency) claims for Federal Medicaid reimbursement for TCM services provided and paid for during Federal fiscal years (FYs) 2013 and 2014 were in accordance with Federal and State requirements.

BACKGROUND

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.

The Social Security Act (the Act) authorizes State Medicaid agencies to provide case management services to Medicaid recipients. Furthermore, the Act defines case management services as "services that will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services."

Federal regulations refer to case management services as TCM services when they are furnished to specific populations in a State. Allowable TCM services include assessment of an individual to determine service needs, development of a specific care plan, referral and related activities to help the individual obtain needed services, and monitoring and followup activities. However, TCM services do not include the direct delivery of the underlying medical, educational, social, or other services to which the Medicaid-eligible individual has been referred, including services such as providing transportation.

During FYs 2013 and 2014 (October 1, 2012, through September 30, 2014), the State agency claimed Medicaid reimbursement totaling \$17,595,726 (\$9,007,307 Federal share) for TCM services. We reviewed a stratified random sample of 120 recipient-months (a recipient-month

includes all paid claims for TCM services provided to a single Medicaid recipient with service dates within a single calendar month).

WHAT WE FOUND

The State agency's claims for Medicaid reimbursement for TCM services provided and paid for during FYs 2013 and 2014 were not always in accordance with Federal requirements. Specifically, 22 of 120 sampled recipient-months had one or more of the following errors (some recipient-months had more than 1 error):

- providers claimed services (other than transportation) that did not meet the definition of allowable TCM services (15 recipient-months),
- providers claimed unallowable transportation services (12 recipient-months), and
- the provider could not produce the supporting documentation for the services provided (1 recipient-month).

Furthermore, 25 of the 120 sampled recipient-months had supporting case notes that described both unallowable and allowable TCM services on the same claims. Because we could not differentiate between the unallowable and the allowable services, we designated the services associated with these claims as potentially unallowable and are setting aside the estimated Medicaid reimbursement for adjudication by the State agency and CMS.

These errors occurred because the State agency did not have adequate policies and procedures in place to ensure that the TCM services it claimed were allowable for Medicaid reimbursement in accordance with Federal requirements and to ensure that the services were adequately supported. Moreover, the State agency did not have adequate policies and procedures to ensure that unallowable TCM services were not included on the same claims with allowable services. On the basis of our sample results, we estimated that the State agency improperly claimed at least \$682,106 (\$349,211 Federal share) in unallowable Medicaid reimbursement for TCM services during FYs 2013 and 2014. Additionally, we estimated that the State agency claimed \$1,686,755 (\$861,916 Federal share) of potentially unallowable Medicaid reimbursement for instances in which both allowable and unallowable TCM services were provided on the same claims.

WHAT WE RECOMMEND

We recommend that the State agency:

- refund \$349,211 to the Federal Government for claims for unallowable TCM services;
- work with CMS to determine the allowability of the estimated \$861,916 (Federal share) in claims for potentially unallowable TCM services; and

- strengthen its policies and procedures to ensure that it claims Medicaid reimbursement only for TCM services that
 - are allowable in accordance with Federal requirements,
 - are adequately supported, and
 - do not include unallowable TCM services on the same claims with allowable services.

STATE AGENCY COMMENTS AND OUR RESPONSE

In written comments on our draft report, the State agency concurred with our second and third recommendations and described actions it had taken or planned to take to strengthen its policies and procedures. Regarding our first recommendation, “the Department [State agency] concurs that there are some unallowable TCM services; however, we have been unable to reconcile with the totals in the four strata within the audit report.... Once we have reconciled the claims in the strata, the Department [State agency] will refund the federal portion of the claims for unallowable TCM services.”

After reviewing the State agency’s comments, we maintain that all of our findings and recommendations remain valid.

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INTRODUCTION

WHY WE DID THIS REVIEW

Case management services assist Medicaid recipients in gaining access to medical, social, educational, and other types of services. When these services are furnished to one or more specific populations within a State, they are known as Targeted Case Management (TCM) services. Previous Office of Inspector General reviews (Appendix A) found that some States did not always claim Federal Medicaid reimbursement for TCM services in accordance with Federal and State requirements.

OBJECTIVE

Our objective was to determine whether the North Dakota Department of Human Services' (State agency) claims for Federal Medicaid reimbursement for TCM services provided and paid for during Federal fiscal years (FYs) 2013 and 2014 were in accordance with Federal and State requirements.

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 (FFP) 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, North Dakota's FMAP ranged from 50.00 percent to 52.27 percent.

Medicaid Coverage of Targeted Case Management Services

The Social Security Act (the Act) authorizes State Medicaid agencies to provide case management services to Medicaid recipients (§ 1905(a)(19)). Furthermore, the Act defines case management services as "services that will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services" (§ 1915(g)(2)).

Federal regulations (42 CFR § 440.169(b)) refer to case management services as TCM services when they are furnished to specific populations in a State. Federal regulations state that allowable TCM services include assessment of an individual to determine service needs, development of a specific care plan, referral and related activities to help the individual obtain needed services, and monitoring and followup activities (42 CFR § 440.169(d)). However, Federal regulations also state that TCM services do not include the direct delivery of the underlying medical, educational, social, or other services to which the Medicaid-eligible individual has been referred, including services such as providing transportation (42 CFR § 441.18(c)).

The CMS *State Medicaid Manual* states that FFP is not available for the specific services needed by an individual as identified through case management activities unless they are separately reimbursable under Medicaid. Also, FFP is not available for the cost of the administration of the services or programs to which recipients are referred (CMS *State Medicaid Manual* § 4302.2(G)(1)).

North Dakota Medicaid Program and Targeted Case Management

In North Dakota, 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.

The State agency directly provides TCM services through Regional Human Service Centers. The State agency also contracts with county social services offices, employees of Indian Tribes, and others who meet the provider qualifications, to provide services to Medicaid-eligible recipients. The North Dakota State plan designates five target groups to receive TCM services:

- high-risk pregnant women and infants,
- chronically mentally ill individuals,
- children receiving child protective services,
- children in alternative care, and
- individuals in need of long-term-care services.

For each target group, the State plan contains information about, among other things, recipient eligibility requirements, allowable TCM services, and case management provider qualifications.

The State agency's TCM payment rates are based on a fee schedule and vary by the type of TCM being performed as well as the type of provider performing the service. The State agency can, with CMS's approval, increase the payment rates periodically by amounts commensurate with the rate of inflation.

All TCM services are billed using a 15-minute unit of service, with the exception of long-term-care services, which are billed using a monthly unit of service.

HOW WE CONDUCTED THIS REVIEW

During FYs 2013 and 2014 (October 1, 2012, through September 30, 2014), the State agency claimed Medicaid reimbursement totaling \$17,595,726 (\$9,007,307 Federal share) for TCM services. We reviewed a stratified random sample of 120 recipient-months.¹

We reviewed the State agency's supporting documentation for a stratified random sample of 120 recipient-months, which consisted of a total of 900 paid claims. We obtained and reviewed case notes that documented the services provided, recipient eligibility documentation, and provider qualifications documentation to determine whether the TCM services provided and paid for were in accordance with Federal and State requirements. We also compared the rates paid to the rates that were approved for the month in which services were rendered.

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 B contains details of our audit scope and methodology, Appendix C contains our statistical sampling methodology, Appendix D contains our sample results and estimates, Appendix E contains details on the Federal and State requirements related to TCM, and Appendix F summarizes the errors for each sampled recipient-month.

FINDINGS

The State agency's claims for Medicaid reimbursement for TCM services provided and paid for during FYs 2013 and 2014 were not always in accordance with Federal requirements. Specifically, 22 of 120 sampled recipient-months had one or more of the following errors (some recipient-months had more than 1 error):

- providers claimed services (other than transportation) that did not meet the definition of allowable TCM services (15 recipient-months),
- providers claimed unallowable transportation services (12 recipient-months), and
- the provider could not produce the supporting documentation for the services provided (1 recipient-month).

Furthermore, 25 of the 120 sampled recipient-months had supporting case notes that described both unallowable and allowable TCM services on the same claims. Because we could not

¹ A recipient-month includes all paid claims for TCM services provided to a single Medicaid recipient with service dates within a single calendar month.

differentiate between the unallowable and the allowable services, we designated the services associated with these claims as potentially unallowable and are setting aside the estimated Medicaid reimbursement for adjudication by the State agency and CMS.

These errors occurred because the State agency did not have adequate policies and procedures in place to ensure that the TCM services it claimed were allowable for Medicaid reimbursement in accordance with Federal requirements and to ensure that the services were adequately supported. Moreover, the State agency did not have adequate policies and procedures to ensure that unallowable TCM services were not included on the same claims with allowable services. On the basis of our sample results, we estimated that the State agency improperly claimed at least \$682,106 (\$349,211 Federal share) in unallowable Medicaid reimbursement for TCM services during FYs 2013 and 2014. Additionally, we estimated that the State agency claimed \$1,686,755 (\$861,916 Federal share) of potentially unallowable Medicaid reimbursement for instances in which both allowable and unallowable TCM services were provided on the same claims.

THE STATE AGENCY CLAIMED UNALLOWABLE FEDERAL REIMBURSEMENT

Federal regulations define the types of services that are allowable and unallowable as TCM services and also determine the requirements for maintaining supporting documentation (42 CFR §§ 440.169(d) and 441.18). The case notes reflected that 22 of the 120 recipient-months that we reviewed had unallowable TCM services (some recipient-months had more than 1 error).

The State Agency Claimed Some Unallowable Non-Transportation Services as Targeted Case Management Services

Federal reimbursement is not available for direct delivery of underlying medical, educational, social, or other services to which the recipient has been referred (42 CFR § 441.18(c)). TCM services are defined as assistance that TCM case managers provide in assisting eligible beneficiaries to obtain services, including comprehensive assessment, development of a care plan, referral and related activities, and monitoring and followup activities (42 CFR § 440.169(d)).

The State agency claimed Medicaid reimbursement for 15 recipient-months in which the supporting case notes documented services, other than transportation, that did not meet the definition of allowable TCM services. These unallowable services included instances in which (1) the case manager assisted the recipient with shopping, (2) the case manager and the recipient ran errands, and (3) the case manager picked up personal items for the recipient.

For example, the State agency claimed unallowable Medicaid reimbursement for a TCM claim (for four units of service totaling \$60.50) that the provider submitted using the following case note as support:

[Caseworker] and this writer devoted about one hour of our time today to go to [recipient's] storage unit and pick up some of the personal items that she requested that we bring to her at [rehabilitation]. The requested packages were picked up by us and time was then devoted to 'going through' said items and

searching for contraband. Upon completing this project we took the items to [rehabilitation] to give to [recipient] in person. However, due to her being asleep upon our arrival on the unit, said items were left at the front desk with the nurse. Continue to monitor.

The State Agency Claimed Some Unallowable Transportation Services as Targeted Case Management Services

Case management does not include, and Federal reimbursement is not available for, providing transportation (42 CFR § 441.18(c)(6)).

The State agency claimed Medicaid reimbursement for 12 recipient-months in which the supporting case notes indicated that transportation was provided to the recipient.² These unallowable transportation services included the direct transport of recipients by their case managers to medical appointments, to the store, and to a recipient's storage unit.

For example, the State agency claimed unallowable Medicaid reimbursement for a TCM claim (for one unit of service totaling \$15.12) that the provider submitted using the following case note as support: "[Recipient] requested to be transported from her apartment to her medical appointment at SCHSC. This recorder transported her."

The State Agency Claimed Some Unsupported Services as Targeted Case Management Services

Providers must maintain case records that document, for all individuals receiving case management, the nature, content, and units of the case management services received and whether goals specified in the care plan have been achieved (42 CFR § 441.18(7)(iv)).

For one recipient-month, the provider was unable to provide supporting documentation for the services provided.

Effect of Unallowable Targeted Case Management Services Claimed

On the basis of our sample results, we estimated that the State agency improperly claimed Medicaid reimbursement of at least \$682,106 (\$349,211 Federal share) for unallowable TCM services during FYs 2013 and 2014.

THE STATE AGENCY CLAIMED POTENTIALLY UNALLOWABLE FEDERAL REIMBURSEMENT

Federal regulations define the types of services that are allowable and unallowable as TCM services (42 CFR §§ 440.169(d) and 441.18(c)). For 25 of the sampled recipient-months that we reviewed, the supporting case notes had both allowable and unallowable TCM services mixed

² Some case notes implied that transportation took place but did not clearly document it as transportation; for these instances, we classified the services as unallowable other services rather than as unallowable transportation services. In either case, the services were still unallowable as TCM services.

together on the same claims.³ The case notes were not sufficiently detailed to enable us to determine the length of time (that is, the units of service) provided for each TCM service.

The State Agency Claimed Some Potentially Unallowable Transportation Services as Targeted Case Management Services

Case management does not include, and Federal reimbursement is not available for, providing transportation (42 CFR § 441.18(c)(6)).

The State agency claimed Medicaid reimbursement for 22 recipient-months in which the supporting case notes indicated that both allowable TCM services and unallowable transportation services were provided to the recipient. In reviewing the case notes, we could not differentiate the time (that is, units of service) spent on the unallowable services from the time spent on the allowable services that the provider had performed; therefore, we could not quantify the unallowable units of service. Examples of unallowable transportation services included the direct transport of recipients by the case manager to medical appointments, to the store, and to classes. In each of these cases, allowable and unallowable services appeared on the same claim; the State agency paid the provider and then claimed Federal reimbursement.

For example, the State agency claimed unallowable Medicaid reimbursement for a TCM claim (for 16 units of service totaling \$242.53) that the provider submitted using the following case note as support:

I went to the rehab center to *transport* [recipient] to his chemo treatment. I was told by his social worker that [facility name] had denied [recipient] because of some issue with his insurance and the cancer treatments. [Worker] was in the process of getting [recipient] to go to [nursing home] today. She would not know until later this morning if he will be approved, but she is fairly confident he will be. I then *transported* [recipient] to the cancer center. While waiting to see his doctor, [recipient] shared that he had talked to his daughter. She was disappointed that [recipient] could not make it to her place, but she is hoping to come out here this spring to see [recipient]. It looks like [recipient]'s son will be coming too. [Recipient] shared that he is happy and a little anxious about meeting his son, but is looking forward to it none the less. [Recipient]'s bloodwork was good so he was able to have his treatment. When he was done I *transported* him back to the rehab unit. There we were told that there might be a possibility [recipient] would have to wait until tomorrow as they were unsure because it was in the afternoon and they do not like admitting people that late. Eventually that was worked out so I then *transported* [recipient] to the nursing home. He was admitted to the second floor. He will begin therapy tomorrow if he is strong enough following his chemo treatment. After the nurse got done with the initial

³ Some of the 25 recipient-months with potentially unallowable services that we discuss below had both transportation services and other, non-transportation services, both categories of which we regard as potentially unallowable. That is why our count of 25 recipient-months with errors is comprised of 22 recipient-months with potentially unallowable transportation services and 12 recipient-months with potentially unallowable other, non-transportation services.

paperwork [recipient] was very tired so he laid down. I will see [recipient] tomorrow to see how he is faring. [Emphasis added.]

The State Agency Claimed Some Potentially Unallowable Other Services as Targeted Case Management Services

Federal reimbursement is not available for direct delivery of underlying medical, educational, social, or other services to which the recipient has been referred (42 CFR § 441.18(c)). TCM services are defined as assistance that TCM case managers provide in assisting eligible beneficiaries to obtain services, including comprehensive assessment, development of a care plan, referral and related activities, and monitoring and followup activities (42 CFR § 440.169(d)).

The State agency claimed Medicaid reimbursement for 12 recipient-months in which the supporting case notes documented both allowable TCM services and unallowable services, other than transportation, that did not meet the definition of allowable TCM services. In reviewing the case notes, we could not differentiate the time (that is, units of service) spent on the unallowable services from the time spent on the allowable services that the provider had performed; therefore, we could not quantify the unallowable units of service. Examples of unallowable services included case managers assisting recipients with shopping, case managers picking up personal items for recipients, and case managers providing support therapy to recipients. In each of these cases, allowable and unallowable services appeared on the same claim; the State agency paid the provider and then claimed Federal reimbursement.

For example, the State agency claimed unallowable Medicaid reimbursement for a TCM claim (for 10 units of service totaling \$158.12) that the provider submitted using the following case note as support:

On this date, I met with [recipient]. We spent a great deal of time shopping today. We purchased a box spring and mattress, a bed frame, a dresser, a recliner, a night stand, a wall mirror, a fan, and a comforter for his bed. [Recipient] was very excited with all his purchases. [Recipient] will have the furniture store deliver these items to [residence]. They deliver to [residence location] on Tuesdays. There was a charge for this delivery service but [recipient] appeared to be okay in paying it. [Recipient] and I looked over some additional paperwork that [county office] needs. We will complete this paperwork on Monday of next week. We still need to get him approved for funding for [residence]. [Recipient] has been waiting to go to this facility for a long time. It would be an appropriate placement for him. It is my plan to contact [facility] on Monday after [recipient] and I finish the paperwork and turn it in. At that point in time, we will simply have to wait to see what happens. Meanwhile, I encouraged [recipient] to contact me should he have any concerns and/or questions.

Effect of Potentially Unallowable Targeted Case Management Services Claimed

On the basis of our sample results, we estimated that the State agency improperly claimed \$1,686,755 (\$861,916 Federal share) during FYs 2013 and 2014 of TCM services that described both allowable and unallowable TCM services on the same claims. Because we could not differentiate between the unallowable and the allowable services, we designated the services associated with these claims as potentially unallowable and are setting aside the estimated Medicaid reimbursement for adjudication by the State agency and CMS.

THE STATE AGENCY DID NOT HAVE ADEQUATE POLICIES AND PROCEDURES

These errors occurred because the State agency did not have adequate policies and procedures in place to ensure that the TCM services it claimed were allowable for Medicaid reimbursement in accordance with Federal requirements and to ensure that the services were adequately supported. Moreover, the State agency did not have adequate policies and procedures to ensure that unallowable TCM services were not included on the same claims with allowable services.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$349,211 to the Federal Government for claims for unallowable TCM services;
- work with CMS to determine the allowability of the estimated \$861,916 (Federal share) in claims for potentially unallowable TCM services; and
- strengthen its policies and procedures to ensure that it claims Medicaid reimbursement only for TCM services that
 - are allowable in accordance with Federal requirements,
 - are adequately supported, and
 - do not include unallowable TCM services on the same claims with allowable services.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with our second and third recommendations and described actions it had taken or planned to take to strengthen its policies and procedures. Regarding our first recommendation, the State agency said that it:

... concurs that there are some unallowable TCM services; however, we have been unable to reconcile with the totals in the four strata within the audit report. The Department [State Agency] will continue to work with the Office of Inspector

General and will work with the Centers for Medicare and Medicaid Services [CMS] to reconcile the claims in the strata. Once we have reconciled the claims in the strata, the Department [State agency] will refund the federal portion of the claims for unallowable TCM services.

The State agency's comments appear in their entirety as Appendix G.

After reviewing the State agency's comments, we maintain that all of our findings and recommendations remain valid. Regarding the State agency's efforts to reconcile the totals in the four strata within the audit report, we will make our audit staff available to assist the State agency.

**APPENDIX A: PREVIOUSLY ISSUED
OFFICE OF INSPECTOR GENERAL REPORTS**

Report Title	Report Number	Date Issued
<i>Connecticut Claimed Unallowable Medicaid Payments for Targeted Case Management Services Provided to Individuals With Chronic Mental Illness</i>	<u>A-01-14-00001</u>	8/07/15
<i>Missouri Claimed Unallowable Medicaid Payments for Targeted Case Management Services Provided to Individuals With Developmental Disabilities</i>	<u>A-07-13-03193</u>	10/30/14
<i>Iowa Medicaid Payments for Targeted Case Management for Fiscal Years 2003 and 2004</i>	<u>A-07-06-03078</u>	11/07/07
<i>Review of Minnesota Medicaid Reimbursement for Targeted Case Management Services for Fiscal Years 2003 and 2004</i>	<u>A-05-05-00059</u>	10/15/07
<i>Review of Medicaid Targeted Case Management Services Provided by the Maine Bureau of Child and Family Services During Federal Fiscal Years 2002 and 2003</i>	<u>A-01-05-00004</u>	12/04/07
<i>Review of Targeted Case Management Services Rendered by the Massachusetts Department of Social Services During Federal Fiscal Years 2002 and 2003</i>	<u>A-01-04-00006</u>	5/16/06

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

During FYs 2013 and 2014 (October 1, 2012, through September 30, 2014), the State agency claimed Medicaid reimbursement totaling \$17,595,726 (\$9,007,307 Federal share) for TCM services. We reviewed a stratified random sample totaling 120 recipient-months, which consisted of a total of 900 paid claims (footnote 1).

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 our audit work, which included fieldwork at the State agency in Bismarck, North Dakota, from August 2015 to April 2016.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, Federal and State requirements, and the State plan;
- held discussions with CMS officials to gain an understanding of the Medicaid TCM services program, its claiming and payment mechanisms, and its reporting and documentation requirements;
- held discussions with State agency officials to gain an understanding of the State agency's operation of the TCM program;
- reviewed MMIS claim payment data for TCM services provided and paid for in FYs 2013 and 2014;
- reconciled the MMIS claim payment data for TCM services to the Medicaid payments claimed on the State agency's CMS-64 reports for FYs 2013 and 2014;
- developed a sampling frame of MMIS claims provided and paid for during FYs 2013 and 2014 and consisting of 45,012 unique recipient-months;
- selected a stratified random sample of 120 recipient-months and reviewed supporting documentation for each of these to:
 - determine whether the TCM services provided were allowable and whether the units of service charged were reasonable,
 - ensure that the recipient was eligible to receive TCM services,

- ensure that the provider was qualified to provide TCM services, and
- ensure that the payment rate(s) paid were accurate;
- estimated the unallowable Medicaid reimbursement;
- estimated the potentially unallowable Medicaid reimbursement for the claims that we are setting aside for adjudication by the State agency and CMS; and
- discussed the results of our review with State agency officials on June 22, 2016.

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 C: STATISTICAL SAMPLING METHODOLOGY

TARGET POPULATION

The target population consisted of unique recipient-months with positive Medicaid reimbursements for TCM services that the State agency provided and paid for during FYs 2013 and 2014.

SAMPLING FRAME

The sampling frame consisted of 45,012 recipient-months with associated Medicaid reimbursement totaling \$17,595,726 (\$9,007,307 Federal share) for TCM services.

SAMPLE UNIT

The sample unit was one recipient-month (which includes all paid claims for TCM services provided to a single Medicaid recipient with service dates within a single calendar month).

SAMPLE DESIGN

We used a stratified sample consisting of four strata. The strata were divided as follows, based on total recipient-month reimbursement for the audit period:

Stratum	Recipient-Months	Total Paid	Total Federal Share Paid Amount	Low Federal Share Paid Amount	High Federal Share Paid Amount
One	27,774	\$3,669,392	\$1,879,500	\$0.03	\$145.99
Two	7,771	3,183,186	1,630,355	146.00	291.99
Three	7,383	6,615,183	3,385,127	292.00	729.99
Four	2,084	4,127,965	2,112,325	730.00	3,628.48
Totals	45,012	\$17,595,726	\$9,007,307		

SAMPLE SIZE

We selected a sample size of 120 unique recipient-months; 30 unique recipient-months per stratum.

SOURCE OF RANDOM NUMBERS

We used the OIG, Office of Audit Services (OAS), statistical software to generate the random numbers.

METHOD FOR SELECTING SAMPLE ITEMS

For each of the four strata, we consecutively numbered the sample units. After generating the random numbers for each stratum, we selected the corresponding sample units from each stratum.

ESTIMATION METHODOLOGY

We used the OIG/OAS statistical software to estimate the unallowable Federal Medicaid reimbursement by applying the applicable FMAP to the payments for TCM services whose payments included unallowable costs and potentially unallowable costs.

APPENDIX D: SAMPLE RESULTS AND ESTIMATES

Sample Details and Results for Total Unallowable Claims

Stratum	Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Unallowable Recipient-Months	Value of Unallowable Claims
Stratum 1	27,774	\$3,669,392	30	\$4,208	2	\$55
Stratum 2	7,771	3,183,186	30	12,338	3	638
Stratum 3	7,383	6,615,183	30	28,266	8	2,709
Stratum 4	2,084	4,127,965	30	59,603	9	4,490
Total	45,012	\$17,595,726	120	\$104,415	22	\$7,892

Sample Details and Results for Federal Share of Unallowable Claims

Stratum	Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Unallowable Recipient-Months	Value of Unallowable Claims
Stratum 1	27,774	\$1,879,500	30	\$2,157	2	\$28
Stratum 2	7,771	1,630,355	30	6,324	3	333
Stratum 3	7,383	3,385,127	30	14,450	8	1,376
Stratum 4	2,084	2,112,325	30	30,398	9	2,289
Total	45,012	\$9,007,307	120	\$53,329	22	\$4,026

Estimated Value of Unallowable Payments
(Limits Calculated for a 90-Percent Confidence Interval)

	Total	Federal Share
Point estimate	\$1,194,801	\$609,866
Lower limit	\$682,106	\$349,211
Upper limit	\$1,707,496	\$870,520

Sample Details and Results for Total Potentially Unallowable Claims

Stratum	Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Potentially Unallowable Recipient-Months	Value of Unallowable Claims
Stratum 1	27,774	\$3,669,392	30	\$4,208	2	\$242
Stratum 2	7,771	3,183,186	30	12,338	1	128
Stratum 3	7,383	6,615,183	30	28,266	8	2,501
Stratum 4	2,084	4,127,965	30	59,603	14	11,717
Total	45,012	\$17,595,726	120	\$104,415	25	\$14,588

Sample Details and Results for Federal Share of Potentially Unallowable Claims

Stratum	Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Potentially Unallowable Recipient-Months	Value of Unallowable Claims
Stratum 1	27,774	\$1,879,500	30	\$2,157	2	\$121
Stratum 2	7,771	1,630,355	30	6,324	1	64
Stratum 3	7,383	3,385,127	30	14,450	8	1,288
Stratum 4	2,084	2,112,325	30	30,398	14	5,993
Total	45,012	\$9,007,307	120	\$53,329	25	\$7,466

Estimated Value of Potentially Unallowable Payments
(Limits Calculated for a 90-Percent Confidence Interval)

	Total	Federal Share
Point estimate	\$1,686,755	\$861,916
Lower limit	\$1,137,362	\$580,727
Upper limit	\$2,236,148	\$1,143,104

APPENDIX E: FEDERAL AND STATE REQUIREMENTS FOR TARGETED CASE MANAGEMENT

FEDERAL REQUIREMENTS

Federal regulations (42 CFR § 440.169(a)) define TCM services as services furnished to assist individuals, eligible under the State plan who reside in a community setting or are transitioning to a community setting, in gaining access to needed medical, social, educational, and other services.

Federal regulations (42 CFR § 440.169(d)) state that the assistance that TCM case managers provide in assisting eligible individuals to obtain services includes:

- (1) Comprehensive assessment and periodic reassessment of individual needs, to determine the need for any medical, educational, social, or other services.
- (2) Development (and periodic revision) of a specific care plan based on the information collected through the assessment.
- (3) Referral and related activities (such as scheduling appointments for the individual) to help the eligible individual obtain needed services, including activities that help link the individual with medical, social, and educational providers or other programs and services that are capable of providing needed services to address identified needs and achieve goals specified in the care plan.
- (4) Monitoring and followup activities, including activities and contacts that are necessary to ensure that the care plan is effectively implemented and adequately addresses the needs of the eligible individual and which may be with the individual, family members, service providers, or other entities or individuals and conducted as frequently as necessary, and including at least one annual monitoring.

Federal regulations state that TCM "... does not include, and FFP is not available in expenditures for, services defined in § 441.169 of this chapter when [TCM] activities constitute the direct delivery of underlying medical, educational, social, or other services to which an eligible individual has been referred, including for services such as, but not limited to," providing transportation (42 CFR § 441.18(c)).

Federal regulations require providers to maintain case records that document, for all individuals receiving TCM services, "[t]he nature, content, units of the [TCM] services received and whether goals specified in the care plan have been achieved" (42 CFR § 441.18(a)(7)(iv)).

The CMS *State Medicaid Manual* states that FFP is not available for the specific services needed by an individual as identified through case management activities unless they are separately reimbursable under Medicaid. Also, FFP is not available for the cost of the administration of the services or programs to which recipients are referred (CMS *State Medicaid Manual* § 4302.2(G)(1)).

STATE REQUIREMENTS

The North Dakota State plan has a separate section for each of the State's TCM target groups; however, the definition of TCM services is similar for each of the target groups and the wording closely mirrors the definition of TCM services set forth in 42 CFR § 440.169. The State plan language for each respective target group defines TCM as services that assist eligible individuals in gaining access to needed medical, social, educational, and other services. The State plan language for each respective target group further breaks out services into the categories of assessment, care plan development, referral and related activities, and monitoring and followup activities. In addition, the State plan for individuals in need of long-term-care services specifically refers to 42 CFR § 440.169 as the source for the definition of services.

**APPENDIX F: SUMMARY OF TYPES OF ERRORS IN
SAMPLED RECIPIENT-MONTHS**

Count	Unallowable Other Services	Unallowable Transportation Services	Unallowable Unsupported Services	Potentially Unallowable Transportation Services	Potentially Unallowable Other Services
1					
2	X				X
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22				X	
23					
24					
25					
26					
27					
28			X		
29					
30					
31					
32	X				
33					
34				X	

Count	Unallowable Other Services	Unallowable Transportation Services	Unallowable Unsupported Services	Potentially Unallowable Transportation Services	Potentially Unallowable Other Services
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48	X				
49					
50	X				
51					
52					
53					
54					
55					
56					
57					
58					
59					
60					
61					
62					
63		X			
64					
65	X	X			
66	X			X	
67					
68					
69					
70	X				
71				X	X

Count	Unallowable Other Services	Unallowable Transportation Services	Unallowable Unsupported Services	Potentially Unallowable Transportation Services	Potentially Unallowable Other Services
72					
73					
74		X		X	
75					
76				X	X
77					
78					X
79					
80					
81	X				
82					X
83				X	
84					
85		X			
86		X		X	
87					
88					
89					
90					
91					
92					
93					
94					
95					
96					
97	X			X	X
98	X	X		X	X
99				X	X
100					
101				X	
102		X		X	X
103				X	
104					
105					
106					
107					
108	X	X		X	

Count	Unallowable Other Services	Unallowable Transportation Services	Unallowable Unsupported Services	Potentially Unallowable Transportation Services	Potentially Unallowable Other Services
109					
110					
111					
112	X			X	X
113	X	X		X	X
114				X	
115		X		X	
116	X	X		X	
117				X	
118					
119					
120	X	X		X	X
Total	15	12	1	22	12

X – Sample units with an error.