



March 15, 2010

**TO:** Charlene Frizzera  
Acting Administrator  
Centers for Medicare & Medicaid Services

**FROM:** /Joseph E. Vengrin/  
Deputy Inspector General for Audit Services

**SUBJECT:** Review of Arizona's Medicaid Claims for School-Based Health Services  
(A-09-07-00051)

Attached, for your information, is an advance copy of our final report on Arizona's Medicaid claims for school-based health services. We will issue this report to the Arizona Health Care Cost Containment System Administration within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through email at [George.Reeb@oig.hhs.gov](mailto:George.Reeb@oig.hhs.gov) or Lori A. Ahlstrand, Regional Inspector General for Audit Services, Region IX, at (415) 437-8360 or through email at [Lori.Ahlstrand@oig.hhs.gov](mailto:Lori.Ahlstrand@oig.hhs.gov). Please refer to report number A-09-07-00051.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region IX  
90 – 7<sup>th</sup> Street, Suite 3-650  
San Francisco, CA 94103

March 22, 2010

Report Number: A-09-07-00051

Marc Leib, M.D.  
Chief Medical Officer  
Office of the Director  
Arizona Health Care Cost Containment System  
801 East Jefferson Street, Mail Drop 4100  
Phoenix, AZ 85034

Dear Dr. Leib:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled “Review of Arizona’s Medicaid Claims for School-Based Health Services.” 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, or contact Jerry McGee, Audit Manager, at (323) 261-7218, extension 603, or through email at [Jerry.McGee@oig.hhs.gov](mailto:Jerry.McGee@oig.hhs.gov). Please refer to report number A-09-07-00051 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/  
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  
ARIZONA'S MEDICAID CLAIMS  
FOR SCHOOL-BASED  
HEALTH SERVICES**



Daniel R. Levinson  
Inspector General

March 2010  
A-09-07-00051

# *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**

Congress amended section 1903(c) of the Social Security Act in 1988 to permit Medicaid payment for medical services provided to children under Part B of the Individuals with Disabilities Education Act through a child's individualized education plan (child's plan). In addition to other Federal and State requirements, school-based health services must be (1) actually furnished, (2) fully documented, (3) provided by an individual who meets Federal and State qualification requirements, (4) prescribed or referred by a physician or another appropriate professional, and (5) provided to eligible recipients.

Covered services may include, but are not limited to, occupational therapy, physical therapy, speech pathology, psychological counseling, nursing, and transportation services. Local education agencies provide or arrange such services for children with special needs identified in their child's plans.

In Arizona, the Arizona Health Care Cost Containment System Administration (the State agency) administers the Medicaid program, which covers school-based health services under the Direct Service Claiming (DSC) program. The DSC program allows local education agencies to receive Federal reimbursement through the State agency for direct (face-to-face), Medicaid-approved medical services provided to eligible students. The State agency contracted with a third-party administrator (administrator), which served as the DSC program's single point of contact for local education agencies.

For the period January 1, 2004, through June 30, 2006, the State agency claimed approximately \$184 million (\$124 million Federal share) for Medicaid school-based health services.

We reviewed a random sample of 100 student-months, which included 1,989 Medicaid school-based health services totaling \$32,212 (Federal share). A student-month represented all paid Medicaid school-based health services provided to an individual student for a calendar month.

### **OBJECTIVE**

Our objective was to determine whether the State agency claimed Federal reimbursement for Medicaid school-based health services in accordance with Federal and State requirements.

### **SUMMARY OF FINDINGS**

The State agency did not always claim Federal reimbursement for Medicaid school-based health services in accordance with Federal and State requirements. Of the 100 sampled student-months, 54 student-months did not have any deficiencies. However, the remaining 46 student-months had one or more school-based health services that were not allowable. Some of the unallowable services had multiple deficiencies, which included the following:

- Services were not provided or service units were overbilled (23 student-months).
- Documentation requirements were not met (15 student-months).
- Speech therapy provider requirements were not met (12 student-months).
- Unallowable transportation services were provided (seven student-months).
- Prescribing or referring provider requirements were not met (five student-months).
- Student eligibility requirements were not met (two student-months).

As a result, the State agency received Federal reimbursement of \$6,764 for unallowable school-based health services.

The State agency claimed unallowable services because it did not have adequate controls to ensure that claims for Medicaid school-based health services submitted by local education agencies complied with Federal and State requirements. Specifically, the State agency did not adequately oversee the DSC program’s administrators. Further, the State agency issued policy manuals to school-based health providers that included incorrect guidance concerning Federal and State requirements.

Based on our sample results, we estimated that the State agency was improperly reimbursed at least \$21,288,312 in Federal Medicaid funds for school-based health services.

## **RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government \$21,288,312 for unallowable school-based health services,
- review periods after our audit period and make appropriate financial adjustments for any unallowable school-based health services,
- strengthen its oversight of the DSC program to ensure that claims for school-based health services comply with Federal and State requirements, and
- revise its policy manuals to ensure compliance with Federal and State requirements.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our second, third, and fourth recommendations. However, the State agency did not concur with our recommended refund and commented that it did not have an opportunity to review the details of the methodology used for the extrapolation of the sample results. In addition, the State agency

disagreed with our conclusion that speech therapy provider requirements were not met by commenting that speech therapy services could be provided by practitioners who did not meet Federal requirements. The State agency's comments are included in their entirety as Appendix D.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

We orally explained our sampling methodology during meetings with the State agency and described our estimation methodology in Appendix A. During our audit, the State agency did not request additional information on our sampling methodology. In addition, we disagree with the State agency that speech therapy services may be provided by practitioners who do not meet specific Federal requirements for speech therapy providers at 42 CFR § 440.110. Pursuant to Federal guidance, speech therapy providers must meet all applicable Federal and State provider qualifications. We continue to recommend that the State agency refund to the Federal Government \$21,288,312 for unallowable school-based health services.

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## INTRODUCTION

### BACKGROUND

#### Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to certain 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 claim Federal reimbursement for eligible Medicaid expenditures on Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program. The Federal Government pays its share of a State's medical assistance expenditures based on the Federal medical assistance percentage (reimbursement rate), which varies depending on the State's relative per capita income.

#### Medicaid Coverage of School-Based Health Services

Section 411(k)(13) of the Medicare Catastrophic Coverage Act of 1988 (P.L. No. 100-360) amended section 1903(c) of the Act to permit Medicaid payment for medical services provided to children under Part B of the Individuals with Disabilities Education Act (IDEA). The Federal Government may reimburse States for school-based health services included in a child's individualized education plan (child's plan).

In addition to other Federal and State requirements, school-based health services must be (1) actually furnished, (2) fully documented, (3) provided by an individual who meets Federal and State qualification requirements, (4) prescribed or referred by a physician or another appropriate professional, and (5) provided to eligible recipients.

In August 1997, CMS issued a guide entitled *Medicaid and School Health: A Technical Assistance Guide* (technical guide). According to the technical guide, school-based health services included in a child's plan may be covered if all relevant statutory and regulatory requirements are met. In addition, the technical guide provides that a State may cover services included in a child's plan as long as (1) the services are listed in section 1905(a) of the Act and are medically necessary; (2) all Federal and State regulations are followed, including those specifying provider qualifications; and (3) the services are included in the State plan or available under the Early and Periodic Screening, Diagnostic, and Treatment Medicaid benefit. Covered services may include, but are not limited to, occupational therapy, physical therapy, speech pathology, psychological counseling, nursing, and transportation services. Local education agencies provide or arrange such services for children with special needs identified in their child's plans.

## Arizona School-Based Health Services

In Arizona, the Arizona Health Care Cost Containment System Administration (the State agency) administers the Medicaid program, which covers school-based health services under the Direct Service Claiming (DSC) program. The DSC program allows local education agencies<sup>1</sup> to receive Federal reimbursement through the State agency for direct (face-to-face), Medicaid-approved medical services provided to eligible students. Under the DSC program, the State agency covers the following services if they are provided by qualified school-based providers who are employed by or have contracted with local education agencies:

- audiology services;<sup>2</sup>
- assessment, diagnosis, and evaluation services;
- behavioral health services;
- nursing and health aide services;
- occupational, physical, and speech therapy services; and
- transportation services.

The State agency processes and adjudicates claims for school-based health services through its Prepaid Medical Management Information System. It reimburses participating local education agencies<sup>3</sup> for covered services delivered by qualified providers on a fee-for-service basis.

Pursuant to Arizona State plan amendment 00-009 (the State plan), a local education agency authorizes medically necessary services subject to the limitations specified in the State plan and in compliance with (1) applicable Federal and State law and regulations, (2) the State agency's policies and procedures, or (3) other applicable guidelines.

To document its medical and program policies and requirements, the State agency issued the *Medical Policy Manual* (policy manual). Specifically, chapter 700 of the policy manual provides (1) general requirements for Medicaid school-based services; (2) medical and financial record requirements; and (3) conditions, limitations, and exclusions of covered services, including provider qualifications.

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<sup>1</sup> In Arizona, local education agencies include public school districts, charter schools not sponsored by a school district, and the Arizona State Schools for the Deaf and the Blind.

<sup>2</sup> This coverage, for rehabilitation of those with hearing impairments, became effective January 1, 2005.

<sup>3</sup> A participating local education agency is one that has signed a participating agreement to bill the State agency for covered services.

From January 1, 2004, through June 30, 2006, Arizona's Federal reimbursement rate for medical assistance payments ranged from approximately 67 percent to 70 percent. The State agency paid local education agencies the Federal share only; the local education agencies were responsible for the State share.

### **Third-Party Administrator Contracts**

The State agency contracted with a third-party administrator (administrator), which served as the DSC program's single point of contact for local education agencies. During our audit period, MAXIMUS, Inc. (Maximus), was the administrator. Arizona Physicians IPA, Inc. (Arizona Physicians IPA), was the administrator before January 1, 2004, when Maximus took over.<sup>4</sup>

The contracts between the State agency and the administrators required the State agency to (1) process claims; (2) provide oversight activities, including policy development and auditing; (3) approve all written materials developed by the administrators; and (4) pay the administrators for covered services claimed by local education agencies. The contracts required the administrators to:

- help local education agencies prepare appropriate claims for school-based health services;
- serve as the claims clearinghouse by collecting claims from local education agencies, submitting them to the State agency, and reimbursing local education agencies for State-agency-approved services upon receipt of payments from the State agency;
- educate and provide technical assistance to local education agencies; and
- conduct compliance reviews of local education agencies.

The administrators developed handbooks as guidance for local education agencies; the handbooks provided information necessary to participate in the DSC program, such as covered services and requirements related to student eligibility, provider registration, and recordkeeping. The administrators issued handbooks to all school-based health providers containing detailed instructions on the providers' responsibilities under the DSC program.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the State agency claimed Federal reimbursement for Medicaid school-based health services in accordance with Federal and State requirements.

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<sup>4</sup> Because we reviewed Medicaid school-based health services that were claimed for Federal reimbursement for the period January 1, 2004, through June 30, 2006, some of these services were provided before January 1, 2004, and claimed through Arizona Physicians IPA.

## **Scope**

We reviewed Medicaid school-based health services that were claimed by the State agency for Federal reimbursement on Form CMS-64 for the period January 1, 2004, through June 30, 2006. For this period, the State agency claimed approximately \$184 million (\$124 million Federal share) for Medicaid school-based health services.

We reviewed a random sample of 100 student-months, which included 1,989 Medicaid school-based health services totaling \$32,212 (Federal share). A student-month represented all paid Medicaid school-based health services provided to an individual student for a calendar month. The 1,989 services consisted of 920 transportation services; 732 nursing services (including 620 health aide services); 328 occupational, physical, and speech therapy services; and 9 behavioral health services.

We did not review the overall internal control structure of the State agency. Rather, we limited our review to those controls that were significant to the objective of our audit.

We performed our review from January 2007 through March 2009 and conducted fieldwork at the State agency office in Phoenix, Arizona, and at selected local education agencies in Arizona.

## **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and guidelines;
- reviewed the contracts between the State agency and the administrators and applicable handbooks issued by the administrators;
- interviewed officials from the State agency, Maximus, and selected local education agencies to obtain an understanding of the DSC program;
- obtained from the State agency computer-generated data files of all Medicaid school-based health services claimed for the audit period, totaling \$183,598,516 (\$124,160,096 Federal share);
- refined the data files into a sampling frame of 528,543 student-months, totaling \$182,790,631 (\$123,614,883 Federal share), as described in Appendix A;
- selected from the sampling frame a simple random sample of 100 student-months;
- obtained medical records and other documentation from the State agency and selected local education agencies for the 100 sampled student-months;

- reviewed medical records and other documentation and determined whether each service for the 100 sampled student-months was allowable in accordance with Federal and State requirements;
- discussed our findings with CMS and State agency officials; and
- estimated the Federal share amount for the unallowable school-based health services.

See Appendix A for our sample design and methodology and Appendix B for our sample results and estimates.

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 did not always claim Federal reimbursement for Medicaid school-based health services in accordance with Federal and State requirements. Of the 100 sampled student-months, 54 student-months did not have any deficiencies. However, the remaining 46 student-months had one or more school-based health services that were not allowable. As a result, the State agency received Federal reimbursement of \$6,764 for unallowable school-based health services.

Some of the unallowable services had multiple deficiencies. The table below summarizes the deficiencies noted and the number of student-months that contained each type of deficiency. Appendix C contains a summary of deficiencies, if any, identified for each sampled student-month.

**Summary of Deficiencies in Sampled Student-Months**

Type of Deficiency	Number of Student-Months With Deficiencies <sup>5</sup>
Services not provided or service units overbilled	23
Documentation requirements not met	15
Speech therapy provider requirements not met	12
Unallowable transportation services provided	7
Prescribing or referring provider requirements not met	5
Student eligibility requirements not met	2

<sup>5</sup> The total exceeds 46 because 14 of the 46 student-months contained more than one deficiency.

The State agency claimed unallowable services because it did not have adequate controls to ensure that claims for Medicaid school-based health services submitted by local education agencies complied with Federal and State requirements. Specifically, the State agency did not adequately oversee the work of its administrators in administering the DSC program. Further, the State agency issued policy manuals to school-based health providers that included incorrect guidance concerning Federal and State requirements.

Based on our sample results, we estimated that the State agency was improperly reimbursed at least \$21,288,312 in Federal Medicaid funds for school-based health services.

## **UNALLOWABLE SERVICES**

### **Services Not Provided or Service Units Overbilled**

The *State Medicaid Manual* (chapter 2, section 2497.1) states that Federal reimbursement “is available only for allowable actual expenditures made ....”

Pursuant to the State plan (Attachment 3.1-A Limitations, page 3): “The medically necessary Medicaid services must be provided ....” Further, the State plan (Attachment 4.19-B, page 10) states: “All reimbursable services ... must be ... [i]dentified in [a child’s plan] as a necessary service ....”

For 23 of the 100 student-months in our sample, the State agency claimed Federal reimbursement for services that were not provided or service units that were overbilled:<sup>6</sup>

- For 11 student-months, the State agency claimed Federal reimbursement for services when the students were absent from school or on a holiday. For example, a local education agency’s attendance record showed that the student was absent because of “a cold.” However, the health-aide service log provided by the local education agency indicated that the service was provided to the student on the date of the absence. Based on this service log, the local education agency claimed health aide services.
- For six student-months, the State agency claimed Federal reimbursement for services provided for which the service units billed exceeded the quantity or service frequency ordered in the child’s plan. For example, the child’s plan for one student specified that nursing services be provided 30 minutes a day, which is equivalent to two service units. However, the local education agency claimed nursing services of 1 to 1.75 hours a day, or four to seven service units.
- For six student-months, the State agency claimed Federal reimbursement for services provided for which the service units billed exceeded the quantity or service frequency documented in the service log. For example, a local education agency claimed 22 units of health aide services even though the service log showed that only 15 units had been provided.

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<sup>6</sup> The total exceeds 23 because 5 of the 23 student-months contained more than one deficiency.

- For six student-months, the State agency claimed Federal reimbursement for transportation services for which the mileage units billed exceeded the mileage documented in the trip log. For example, a trip log indicated that the schoolbus provided a pickup service from home to school only, with one-way mileage of nine units. However, the local education agency claimed two-way mileage of 18 units.

### **Documentation Requirements Not Met**

Section 1902(a)(27) of the Act states: “A State plan for medical assistance must ... provide for agreements with every person or institution providing services under the State plan under which such person or institution agrees ... to keep such records as are necessary fully to disclose the extent of the services provided to individuals receiving assistance under the State plan ....”

The technical guide (page 45) states:

A school, as a provider, must keep organized and confidential records that details client specific information regarding all specific services provided for each individual recipient of services and retain those records for review. ... Relevant documentation includes the dates of service, who provided the service, where the service was provided, any required medical documentation related to the diagnosis or medical condition of the recipient, length of time required for service if relevant, and third party billing information. This information will be necessary in the event of an audit ....

Pursuant to the State plan (Attachment 4.19-B, page 10): “All reimbursable services ... must be ... notated in the [child’s plan] as medically necessary and supported with medical records that can be audited to establish medical necessity.”

For 15 of the 100 student-months in our sample, the State agency claimed Federal reimbursement for services that did not meet Federal or State documentation requirements:

- For nine student-months, services were not included in the child’s plan.
- For six student-months, services were not supported with service logs that indicated the service type and the number of units or amount of time spent on each service provided.

### **Speech Therapy Provider Requirements Not Met**

Federal regulations (42 CFR § 440.110(c)) require that services for individuals with speech, hearing, and language disorders be provided by or under the direction of a speech pathologist who meets certain requirements, including having a certificate of clinical competence from the American Speech and Hearing Association.

The technical guide (page 19) states: “In order for ... school providers to ... receive Medicaid reimbursement, they must meet the Medicaid provider qualifications. It is not sufficient for a

state to use Department of Education provider qualifications for reimbursement of Medicaid-covered school health services.”

Pursuant to the State plan (Attachment 4.19-B, page 10): “The provider must meet all applicable federal and state licensure and certification requirements ....” The State plan (Attachment 3.1-A Limitations, page 4) states: “[P]ersons who have a Provisional Speech and Language Impaired Certificate must be supervised by an American Speech and Language Hearing Association–certified pathologist.”

For 12 of the 51 student-months that had speech therapy services in our sample, the State agency claimed Federal reimbursement for speech therapy services for which there was no documentation supporting that the providers met Federal requirements. For these providers, the State agency submitted copies of provisional certificates issued by the Arizona State Board of Education and/or limited licenses issued by the Arizona Department of Health Services. However, the State agency did not provide documentation supporting that these providers were under the direction or supervision of a speech pathologist who met Federal requirements.

Before February 1, 2006, the policy manual (chapter 700, policy 720, page 720-7) stated:

Speech-Language Pathologists must be licensed through the Arizona Department of Health Services. ... If not licensed by [Arizona Department of Health Services], speech-language pathologists may instead be certified by the Arizona Department of Education to provide services in the public school system. Therapy services provided by speech-language pathologists who are certified by the Department of Education are not covered services when provided to [State agency] members through other than the [DSC program].

Effective February 1, 2006, the State agency required a school-based speech service provider who had a provisional certificate from the Arizona Department of Education to obtain a temporary or limited license from the Arizona Department of Health Services. However, neither a provisional certificate nor a temporary or limited license meets the requirements of 42 CFR § 440.110(c) unless the speech service provider holding such a certificate or license provides speech services to students under the direction of a speech pathologist who meets Federal requirements.

### **Unallowable Transportation Services Provided**

Pursuant to the State plan (Attachment 3.1-A Limitations, page 4), transportation services “will only be reimbursed on the same day in which the member obtains another Medicaid covered reimbursable service through the [local education agency].”

For 7 of the 37 student-months that had transportation services in our sample, the State agency claimed Federal reimbursement for transportation services for which the documentation did not support that the students had received another Medicaid reimbursable service on the same day. For three of the seven transportation services, the State agency had denied other services provided on the same day because the providers were ineligible. For four of the seven

transportation services, we determined that the other services provided on the same day were unallowable.

### **Prescribing or Referring Provider Requirements Not Met**

Federal regulations and the State plan list prescribing or referring provider qualification requirements for therapy services and nursing and health aide services. For 5 of the 100 student-months in our sample, the providers associated with the services did not meet these requirements.

#### *Unqualified Prescribing or Referring Providers for Therapy Services*

Federal regulations (42 CFR § 440.110) require services for physical, occupational, and speech therapy to be prescribed or referred by a physician or other licensed practitioner of the healing arts within the scope of his or her practice under State law.

For 2 of the 66 student-months that had therapy services in our sample, the State agency claimed Federal reimbursement for therapy services that were not prescribed or referred by qualified providers. For example, a local education agency claimed physical therapy services for a student that were not prescribed by appropriate medical personnel. The child's plan stating the need for these services was developed by a team of the student's parent and school representatives, none of whom were physicians or other licensed practitioners of the healing arts within the scope of their practice under State law. We requested that the local education agency provide the name and title of the physical therapist, as well as a copy of his or her license, to support that physical therapy services were appropriately ordered, prescribed, or referred. The local education agency responded that it did not have information about any physical therapists "who may have serviced students during that time frame."

#### *Unqualified Prescribing Providers for Nursing and Health Aide Services*

Pursuant to the State plan (Attachment 4.19-B, page 10): "All reimbursable services ... must be ... [o]rdered or prescribed by a qualified provider in accordance with the [policy manual]." Further, the State plan (Attachment 3.1-A Limitations, pages 3 through 5) lists qualified providers for each type of reimbursable service. The policy manual (chapter 700, policy 720, pages 720-1 through 720-10) also lists qualified providers for each type of reimbursable service. The qualified providers include, but are not limited to, State-licensed physical therapists, occupational therapists, speech therapists, registered nurses, practical nurses, and psychologists.

For 3 of the 60 student-months that had nursing or health aide services in our sample, the State agency claimed Federal reimbursement for nursing or health aide services that were not ordered or prescribed by qualified providers. For example, for one student, a local education agency claimed health aide services that were not ordered or prescribed by a qualified provider. The local education agency provided a copy of an assessment and evaluation report, stating that the student had a specific learning disability in written expression, reading comprehension, basic reading skills, math calculation, and math reasoning. The team that developed this report did not include any qualified providers. Based on this report, another team developed the child's plan,

determining that the student needed health aide services for 30 minutes a day. This team also did not include any qualified providers.

### **Student Eligibility Requirements Not Met**

The State plan lists student eligibility requirements for Medicaid school-based health services. For 2 of the 100 student-months in our sample, the State agency claimed Federal reimbursement for services that did not meet these requirements.

#### *Age Requirement Not Met*

The State plan (Attachment 3.1-A Limitations, page 3) requires that students be at least 3 years old and less than 21 years old to receive Medicaid-covered school-based health services.<sup>7</sup>

For 1 of the 100 student-months in our sample, the State agency claimed Federal reimbursement for health aide and transportation services provided to a student who was 21 years and 4 months old at the time of service.

#### *Eligibility Requirements Under the Individuals with Disabilities Education Act Not Met*

The State plan (Attachment 3.1-A Limitations, page 3) requires that students be determined eligible for Part B of the IDEA to receive school-based health services and that the services be identified as necessary in a child's plan.

To determine a student's eligibility under Part B of the IDEA, a local education agency performs assessment, diagnostic, or evaluation services (evaluation services).<sup>8</sup> If the student is determined to be eligible for school-based health services, the local education agency is reimbursed for the evaluation services.

For 1 of the 100 student-months in our sample, the State agency claimed Federal reimbursement for evaluation services provided to a student who was determined by a local education agency to be ineligible for school-based health services under Part B of the IDEA.

### **INADEQUATE OVERSIGHT AND INCORRECT GUIDANCE**

The State agency did not have adequate controls to ensure that claims for school-based health services submitted by local education agencies complied with Federal and State requirements. Specifically, the State agency did not adequately oversee the work of its DSC program administrators. In addition, the State agency issued policy manuals to school-based health providers that included incorrect guidance concerning Federal and State requirements. For

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<sup>7</sup> The State agency's policy manual expands eligibility for school-based health services to students who are 21 years old. However, the State agency did not make a corresponding change to the State plan.

<sup>8</sup> In Arizona, evaluation services are referred to as a multidisciplinary evaluation team assessment, which is usually performed once every 3 years. Based on this assessment, the local education agencies prepare a report determining the child's eligibility pursuant to Part B of the IDEA.

example, the manuals included guidance on the student age requirement and speech therapy provider qualifications that did not comply with the State plan.

## **REIMBURSEMENT FOR UNALLOWABLE SERVICES**

The State agency did not always claim Federal reimbursement for Medicaid school-based health services in accordance with Federal and State requirements. Of the 100 sampled student-months, 46 student-months had one or more school-based health services that were not allowable. As a result, the State agency received Federal reimbursement of \$6,764 for unallowable school-based health services. Based on our sample results, we estimated that the State agency was improperly reimbursed at least \$21,288,312 in Federal Medicaid funds for school-based health services.

## **RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government \$21,288,312 for unallowable school-based health services,
- review periods after our audit period and make appropriate financial adjustments for any unallowable school-based health services,
- strengthen its oversight of the DSC program to ensure that claims for school-based health services comply with Federal and State requirements, and
- revise its policy manuals to ensure compliance with Federal and State requirements.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our second, third, and fourth recommendations. However, the State agency did not concur with our recommended refund and commented that it did not have an opportunity to review the details of the methodology used for the extrapolation of the sample results. The State agency also commented that it reserved the right to contest the extrapolation in any action taken by CMS.

In addition, the State agency disagreed with our conclusion that speech therapy provider requirements were not met. The State agency commented that speech therapy services could be provided by practitioners who did not meet specific Federal requirements for speech therapy providers. Instead, the State agency argued that such services could be furnished by providers who acted within the scope of their practice as defined by State law. Finally, the State agency commented that it would work with CMS to determine the appropriate amount of any potential refund.

The State agency's comments are included in their entirety as Appendix D.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

We orally explained our sampling methodology during meetings with the State agency and described our estimation methodology in Appendix A. During our audit, the State agency did not request additional information on our sampling methodology.

We disagree with the State agency that speech therapy services may be provided by practitioners who do not meet specific Federal requirements for speech therapy providers at 42 CFR § 440.110. Pursuant to Federal guidance, speech therapy providers must meet all applicable Federal and State provider qualifications. We continue to recommend that the State agency refund to the Federal Government \$21,288,312 for unallowable school-based health services.

# **APPENDIXES**

## **APPENDIX A: SAMPLE DESIGN AND METHODOLOGY**

### **POPULATION**

The population consisted of the Medicaid school-based health services that the Arizona Health Care Cost Containment System Administration (the State agency) claimed for Federal reimbursement for the period January 1, 2004, through June 30, 2006.

### **SAMPLING FRAME**

To assist us in creating the sampling frame, the State agency extracted claims data from its Prepaid Medical Management Information System for 9,542,514 Medicaid school-based health services claimed for the period January 1, 2004, through June 30, 2006. We excluded from the claims data 147 services funded by Title XXI (Children's Health Insurance Program). We grouped the remaining 9,542,367 services into 530,029 student-months.

From the 530,029 student-months, we excluded the following:

- 120 student-months that had a net claimed amount of zero,
- 212 student-months that had a net-negative claimed amount,
- 511 student-months for 140 students that the Centers for Medicare & Medicaid Services had previously reviewed, and
- 643 student-months that the State agency's Office of Program Integrity had previously reviewed.

Therefore, the sampling frame consisted of 528,543 student-months for which the State agency claimed a total of \$182,790,631 (\$123,614,883 Federal share).

### **SAMPLE UNIT**

The sample unit was an individual student-month. Each sample unit represented all paid Medicaid school-based health services provided to an individual student for a calendar month.

### **SAMPLE DESIGN**

We used a simple random sample.

### **SAMPLE SIZE**

We selected a sample of 100 student-months.

## **SOURCE OF RANDOM NUMBERS**

The source of our random numbers for selecting sample units was the Office of Audit Services (OAS) statistical software.

## **ESTIMATION METHODOLOGY**

We used the OAS statistical software to calculate our estimates. We estimated the total Federal reimbursement to the State agency for unallowable Medicaid school-based health services.

**APPENDIX B: SAMPLE RESULTS AND ESTIMATES**

**Sample Details and Results**

	<b>No. of Student-Months in Frame</b>	<b>Value of Frame (Federal Share)</b>	<b>Sample Size</b>	<b>Value of Sample (Federal Share)</b>	<b>No. of Student-Months With Deficiencies</b>	<b>Value of Unallowable Student-Months (Federal Share)</b>
<b>School-based health services</b>	528,543	\$123,614,883	100	\$32,212	46	\$6,764

**Estimated Unallowable Amounts**  
*(Limits Calculated for a 90-Percent Confidence Interval)*

**Estimated Value of Unallowable School-Based Health Services (Federal Share)**

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Point estimate	\$35,750,384
Lower limit	21,288,312
Upper limit	50,212,457

**APPENDIX C: SUMMARY OF DEFICIENCIES FOR EACH SAMPLED  
STUDENT-MONTH**

**Legend**

<b>1</b>	Services not provided or service units overbilled
<b>2</b>	Documentation requirements not met
<b>3</b>	Speech therapy provider requirements not met
<b>4</b>	Unallowable transportation services provided
<b>5</b>	Prescribing or referring provider requirements not met
<b>6</b>	Student eligibility requirements not met

**Office of Inspector General Review Determinations on the 100 Sample Items  
Deficiencies Noted**

<b>Sample Item</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>No. of Deficiencies</b>
1							
2							
3							
4							
5							
6							
7	x	x		x			3
8							
9	x						1
10			x				1
11							
12							
13		x					1
14	x				x		2
15							
16	x		x		x		3
17						x	1
18	x						1
19	x						1
20	x						1
21							
22							
23							
24							
25							
26							
27							
28	x						1
29							

<b>Sample Item</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>No. of Deficiencies</b>
30	x						1
31				x			1
32							
33		x					1
34							
35							
36			x				1
37		x			x		2
38							
39				x	x		2
40			x				1
41							
42							
43							
44							
45							
46							
47							
48			x				1
49							
50	x						1
51		x				x	2
52							
53			x				1
54							
55							
56							
57	x						1
58		x					1
59		x					1
60		x					1
61							
62	x	x					2
63			x				1
64							
65				x	x		2
66							
67	x						1
68							
69	x	x		x			3
70							
71	x	x					2
72	x						1

<b>Sample Item</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>No. of Deficiencies</b>
73	x						1
74		x		x			2
75							
76							
77							
78				x			1
79							
80							
81							
82	x						1
83	x						1
84			x				1
85	x						1
86							
87							
88							
89			x				1
90							
91		x	x				2
92	x	x	x				3
93	x						1
94							
95							
96			x				1
97							
98							
99							
100	x	x					2
<b>Category Totals</b>	23	15	12	7	5	2	

## APPENDIX D: STATE AGENCY COMMENTS



*Our first care is your health care*  
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

Janice K. Brewer, Governor  
Anthony D. Rodgers, Director

801 East Jefferson, Phoenix, AZ 85034  
PO Box 25520, Phoenix, AZ 85002  
Phone: 602 417 4000  
www.azahcccs.gov

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October 8, 2009

Lori A. Ahlstrand  
Regional Inspector General for Audit Services  
Office of Inspector General  
Department of Health and Human Services, Region IX  
90 – 7<sup>th</sup> Street, Suite 3-650  
San Francisco, California 94103

RE: A-09-07-00051

Dear Ms. Ahlstrand:

The Arizona Health Care Cost Containment System Administration (AHCCCS) has reviewed the draft report entitled "Review of Arizona's Medicaid Claims for School-Based Health Services." I appreciate the opportunity to provide comments on the recommendations contained in the draft report to be taken into consideration in the preparation of the final report.

Refund for Unallowable Services

The draft report recommends that AHCCCS "refund to the Federal Government \$21,288,312 for unallowable school-based health services."

AHCCCS does not concur with this recommendation. The OIG audit identifies issues associated with \$6,749 in federal claims. The \$21 million figure comes from an extrapolation of that limited sample size to the entire program over a multiple year period. AHCCCS has not had the opportunity to investigate the details of the methodology used to extrapolate or of the assumptions underlying that methodology or to have those assumptions and methodologies reviewed by a qualified statistician. As such, AHCCCS does not concur with extrapolation and wishes to explicitly reserve the right to contest that extrapolation in any action taken by CMS based on that extrapolation.

A second concern is that the Draft Report concludes that in 12 of 51 cases documentation did not support that the services were provided by practitioners that met the federal requirements for speech pathologists in 42 C.F.R. 440.100. However in each case, the services were provided by licensed practitioners acting within the scope of practice as defined by state law. Therefore, the providers in question did meet the requirements of section 1905(a)(6) of the Act and of 42 C.F.R. 440.60. Since all of the services were rendered to persons under the age of 21, these services are covered under the EPSDT requirements of 42 U.S.C. 1396a(a)(10)(A) and 1396d(r) even though they are not described in the State Plan. As such, it is the State's position that OIG reach this conclusion in error.

The State will work with CMS to determine the appropriate amount of any potential refund.

Review Periods after the Audit Period and Make Appropriate Adjustments

The draft report recommends that AHCCCS “review periods after our audit period and make appropriate financial adjustment for any unallowable school-based health services.”

AHCCCS concurs with this recommendation. AHCCCS, in coordination with our contractor, conducts regular compliance reviews of all participating LEAs. Those reviews are on-going and encompass the period after the OIG audit timeframe. Findings of unallowable school-based health services associated with those reviews result in recoupment of funds from the LEA. In addition, the AHCCCS Office of Program Integrity (OPI) has dedicated resources to conduct independent audits of participating LEAs.

Strengthen Oversight of the DSC Program

The draft report recommends AHCCCS “strengthen its oversight of the DSC program to ensure that claims for school-based health services comply with Federal and State requirements,”

As discussed above, AHCCCS conducts multiple audits and has oversight processes in place to monitor the DSC program. It is the intent of the agency to continue to monitor and improve any findings from these processes.

In addition to the audit program, AHCCCS routinely conducts reviews of system and program requirements. Issues or concerns are addressed through policy and program clarifications designed to improve oversight and compliance. Examples of program modifications and policy clarifications made during and after the audit period include registering all Health Aides working in the LEAs and the development of a Health Aide Guidance document and a Clinical Notes Guidance document for use by the LEAs.

AHCCCS concurs with this recommendation and will continue our efforts to review program requirements and policies to further improve program compliance and enhance our oversight.

Revise Policy Manuals to Ensure Compliance

The draft report recommends AHCCCS “revise its policy manuals to ensure compliance with Federal and State requirements.”

As AHCCCS has made policy clarifications we have updated our policies, both within our AHCCCS Medical Policy Manual (AMPM) and through our contractor’s handbook. AHCCCS will continue to make updates to our policies in an effort to further clarify program requirements for participating LEAs, as well as to ensure that policies are in compliance with Federal and state requirements.

AHCCCS concurs with this recommendation and will continue our efforts to review program requirements and policies to further improve program compliance and enhance our oversight

In summary, AHCCCS will continue to improve oversight for School Based Claiming in an effort to enhance future compliance with both Federal and state policy and program regulations.

Thank you again for the opportunity to comment on the draft OIG report. Please contact Claire Sinay, 602-417-4178, if there are any additional questions.

Sincerely,

**/Anthony D. Rodgers/**

Director

cc: Tom Betlach, Deputy Director  
Marc Leib, MD, Chief Medical Officer  
Jim Cockerham, Assistant Director, Division of Business and Finance  
Matt Devlin, Assistant Director, Office of Administrative Legal Services