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**D.C. Public Schools' Medicaid Revenue Recovery
Operations Require Substantial Improvements**

August 7, 2002

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EXECUTIVE SUMMARY

PURPOSE

Pursuant to Public Law 93-198, Section 455, and a joint request from Councilmember Kevin Chavous, Chairperson, and Councilmember Phil Mendelson, Member, Committee on Education, Libraries and Recreation, Council of the District of Columbia, the District of Columbia Auditor reviewed the operations of the Medicaid Recovery Unit within the Office of the Chief Financial Officer of the District of Columbia Public School System (DCPS OCFO) for fiscal years 2001 and 2002, through February 15, 2002.

CONCLUSION

The DCPS OCFO's Medicaid Recovery Unit (MRU) was established to maximize the recovery of the Medicaid reimbursable cost of providing health related services to students in special education programs within the D.C. Public School system. The Auditor found that the MRU did not properly and effectively manage the Medicaid recovery operations for D.C. Public Schools because of the lack of sustained leadership and inadequate staff and other resources. Overall, the Auditor found that the operations of the MRU were adversely affected by ineffective management and constant turnover of leadership in the DCPS CFO and Deputy CFO positions, a reduction-in-force, staff terminations, resignations of numerous DCPS OCFO staff, and a lack of effective management direction and resources provided by DCPS. During the audit period, an ineffective MRU operation resulted in poor oversight and performance of DCPS' Medicaid recovery efforts (also known as revenue maximization efforts).

As a consequence, DCPS accumulated at least \$6.6 million in unresolved denied claims from inception of the billing contract in fiscal year 1999 through February 15, 2002. The Auditor's test of denied claims revealed that approximately 18 % of the 99,000 claims could have been easily resolved and reimbursements received if the MRU had periodically performed claim reconciliations. Some claims denied on the basis that the students were ineligible for Medicaid on the dates of service were, in fact, reimbursable because the Auditor found that the students were eligible at the time. Further, some claims were denied because the spelling of students' names on the claims did not exactly match the spelling in the Medicaid eligibility file. Information in the Department of Human Services' Automated Client Eligibility Determination System confirmed that these students were Medicaid eligible, and the claims could have been paid if the spelling of the students' names had been corrected and the claims resubmitted to Medicaid.

Further, DCPS may have at least an additional \$5 million in unrealized Medicaid revenue for the period October 2000 through February 2002, due to the failure of the MRU to fully achieve its goals and effectively implement policies and processes to efficiently obtain Medicaid reimbursement. Further, the Auditor found that revenue realized from Medicaid was \$4.3 million less in the first quarter of fiscal year 2002 than during the same quarter of fiscal year 2001. This was due, in part, to the failure of the MRU to effectively implement policies and processes regarding Medicaid reimbursement of costs for transporting students to receive health related services.

Additionally, the Auditor found inadequate documentation in schools' special education records to support health related services provided to students and billed to Medicaid for reimbursement. Moreover, the DCPS administration, including the Office of Special Education and DCPS' Chief Financial Officer, failed to communicate to school principals and staff the importance of their duties and responsibilities to DCPS' Medicaid revenue maximization efforts. These managers also failed to establish a system of accountability at the school level to address school-based functions that support Medicaid revenue maximization efforts.

The Auditor found that adequate documentation of services rendered to special education students was not present in some students files. A test of the adequacy of school records documenting services rendered to special education students revealed that: (1) 22 % of students' files did not contain Individualized Education Programs that prescribed the services indicated on denied claims; (2) 13 % of the students' files did not contain progress notes to justify the services billed on the claims; and (3) some schools maintained the documentation in a haphazard, incomprehensible, and oftentimes incomplete manner. Recordkeeping deficiencies, regardless of their causes, have a substantial financial impact on DCPS through the loss of Medicaid reimbursements as indicated in the Medicaid audits for fiscal years 1996 through 1998. These audits, which were finalized in fiscal year 2001, revealed that \$15 million of costs incurred for services rendered to special education students were disallowed for Medicaid reimbursement due to the absence or unavailability of supporting documentation. These disallowed costs contributed to DCPS' deficit for fiscal year 2001. If documentation of services and recordkeeping are not immediately improved, these deficiencies will continue to have an adverse impact upon DCPS' finances in future years.

Finally, the Auditor found that DCPS' OCFO staffing, internal controls and procedures were inadequate to provide the timely deposit of \$1.5 million of Medicaid revenue during the first quarter of fiscal year 2002.

MAJOR FINDINGS

1. The MRU's failure to become fully functional impedes recovery of at least an additional \$5 million in Medicaid reimbursements for the period October 2000 through February 2002.
2. Improperly maintained records throughout the school system may cause DCPS to lose future Medicaid revenue.
3. Insufficient Medicaid claim reconciliations resulted in \$6.6 million in denied claims that may yield additional revenue.
4. Medicaid recovery declined by \$4.3 million in the first quarter of fiscal year 2002 when compared with Medicaid revenue recovered during the same period in fiscal year 2001.
5. DCPS' OCFO failed to timely deposit \$1.5 million in reimbursements received from Medicaid during the first quarter of fiscal year 2002.

MAJOR RECOMMENDATIONS

1. The Chief Financial Officer of the District of Columbia should extend the existing revenue maximization contract until the MRU is fully staffed and operational to prevent further disruption of DCPS' Medicaid recovery process. After the MRU is fully operational, the DCPS Chief Financial Officer (CFO) should immediately audit the contractor's records and bring the Medicaid billing system and all related records in-house.
2. The DCPS CFO should immediately hire an MRU director with, at a minimum, extensive knowledge of Medicaid rules and regulations, special education experience, and experience in administering an effective Medicaid recovery operation.
3. The DCPS CFO should establish an MRU staffing plan and hire staff with the requisite qualifications necessary to successfully develop and operate an effective MRU, and provide ongoing staff training and other resources necessary to ensure the MRU's success.

4. The DCPS CFO should develop performance standards, measures and annual performance plans for the MRU and implement the mechanisms necessary to accurately measure the MRU's accomplishments, and timely identify and correct deficiencies that hamper successful achievement of performance goals, standards, and measures.
5. The DCPS CFO and Superintendent should upgrade computer systems and information management technology within the MRU to facilitate management of Medicaid data currently generated by the Department of Health's Medical Assistance Administration (MAA) and to facilitate building an infrastructure to bring the Medicaid billing system in-house.
6. The DCPS CFO should ensure that the MRU's access to MAA's Medicaid Management Information System (MMIS) includes linking DCPS' billing system to the MMIS in order to automate verification of student Medicaid enrollment before claims are submitted for Medicaid reimbursement.
7. The DCPS CFO should obtain support from the Board of Education, Superintendent, and other DCPS officials to assist in providing clear direction to school principals, administrators, and staff in support of the Medicaid outreach and application policies and procedures.
8. DCPS' Board of Education and Superintendent, in conjunction with other accountable DCPS officials, should designate a position in the Office of Special Education as the Medicaid liaison between the Office of Special Education and the MRU to facilitate the timely flow of accurate information between the two offices.
9. The DCPS CFO and Superintendent should immediately establish the determination of Medicaid eligibility as a required component of the initial special education assessment process and subsequent Individualized Education Program (IEP) development, evaluation, and reevaluation processes conducted by the Office of Special Education. Medicaid eligibility determinations could be verified by an MRU employee specifically assigned this responsibility.
10. The Medicaid eligibility application policy, which must be established to accomplish the MRU's stated goals, should require the implementation of outreach efforts by DCPS to inform parents of the availability of Medicaid and the benefits that would

accrue to their child. This outreach should be conducted at initial special education assessment meetings and reiterated in the special education handbook for parents. A copy of the Medicaid application and instructions should be included in the handbook.

11. The Medicaid application policy should also require each school to obtain and distribute Medicaid information and applications to parents and guardians of special education students registered to attend school. Schools could obtain the student's Medicaid identification number which could then be used to verify Medicaid eligibility of the student as of the date of registration.
12. The DCPS CFO should provide the MRU with necessary resources such as qualified employees, training, supplies and computer equipment to resume monitoring schools' files to ensure that proper records and documentation are obtained and maintained for Medicaid enrolled special education students.
13. The DCPS CFO or the Director of the MRU, when one is hired, should establish written policies and procedures for effectively and timely performing periodic, ongoing monitoring of special education students' school records.
14. DCPS' Board of Education, Superintendent, and other accountable managers should develop and implement policies, procedures, and effective measures of accountability to ensure that student files are regularly reviewed for completeness and that adequate documentation is retained when students transfer between schools.
15. DCPS' Board of Education, Superintendent, and accountable managers should establish and implement written policies and procedures requiring school principals, special education coordinators, special education service providers, and other appropriate school administrative staff to ensure that students' special education files are properly maintained with appropriate IEPs and adequate documentation of services rendered to special education students. Language in agreements with contract providers must include mandatory recordkeeping requirements. The policy should offer incentives to schools and staff to encourage proper, complete file maintenance, and ensure that all services rendered are fully documented. There should also be established effective accountability measures for any failure to do so.

16. DCPS' Board of Education, Superintendent, and other accountable managers should ensure that a Medicaid recovery incentive program is implemented that offers incentives to providers to submit accurate, complete and timely billing information to the MRU, and imposes penalties or other measures of accountability when they fail to do so.
17. The DCPS CFO and the Assistant Superintendent for Special Education should jointly develop and implement mechanisms necessary to automate the submission of Fee For Service billing encounter data by providers to the MRU, in a manner that strengthens accuracy and imposes consistency in the information received.
18. The DCPS CFO should provide the MRU with sufficient resources such as staff, computer equipment, filing and storage space, and supplies necessary to effectively and efficiently perform the following:
 - a. retain copies of Fee For Service billings (until implementation of an automated system) and develop a system to monitor and track Fee For Service claims that are submitted to MAA;
 - b. train special education discipline coordinators to screen Fee For Service encounter forms to ensure completeness of pertinent information such as student name, student identification number, service type, and reasonableness of progress notes before submitting the forms to the MRU;
 - c. develop a formal filing system and electronic database for the MRU to efficiently maintain files of all claims submitted to MAA;
 - d. perform periodic reconciliations between all Medicaid claims submitted and reimbursements received;
 - e. immediately research, resolve, and resubmit all existing denied claims;
 - f. develop and implement procedures governing timely resolution and re-submission of denied claims; and
 - g. maintain efficient, well-organized, and complete files regarding the outcome of the MRU's monitoring activities.

19. The DCPS Superintendent and DCPS CFO should immediately develop and implement policies, procedures, and a data management system to improve and automate the transportation billing process to maximize the recovery of reimbursable transportation costs from Medicaid.
20. The DCPS OCFO should establish and implement policies and procedures that ensure timely deposits of all monies received to safeguard the funds.
21. The District of Columbia OCFO, in connection with the DCPS OCFO, should establish a lockbox to receive Medicaid reimbursement checks.
22. The DCPS CFO should take the necessary measures to ensure that the District of Columbia's Office of Finance and Treasury voids Medicaid reimbursement checks that DCPS does not receive within 60 days after the date of the remittance advice, and issue replacement checks to DCPS within a timely manner.

PURPOSE

Pursuant to Public Law 93-198, Section 455, and a joint request from Councilmember Kevin Chavous, Chairperson, and Councilmember Phil Mendelson, Member, Committee on Education, Libraries and Recreation, Council of the District of Columbia, the District of Columbia Auditor reviewed the operations of the Medicaid Recovery Unit within the Office of the Chief Financial Officer of the District of Columbia Public School System for fiscal years 2001 and 2002, through February 15, 2002.

OBJECTIVE, SCOPE, AND METHODOLOGY

The overall objective of the review was to determine the effectiveness of the operations of the Medicaid Recovery Unit (MRU) at D.C. Public Schools (DCPS) with regard to the recovery of costs incurred for providing health related services to students in the special education program. To accomplish this objective, the Auditor sought to determine:

1. the effectiveness of the MRU in recouping money from the Medicaid program for the cost of health related services provided to students in the DCPS special education program;
2. whether the activities of the MRU were conducted in accordance with applicable policies and procedures that govern the MRU;
3. whether internal controls over the Medicaid billing process were adequate to ensure that eligible health related services provided by DCPS were accurately billed to the Medicaid program; and
4. whether all funds collected from the Medicaid program were accounted for by the MRU.

The review included an examination of the operations of the MRU for fiscal years 2001 and 2002, through February 15, 2002.

In conducting the review, the Auditor examined policies and procedures that govern the MRU's operation, and other relevant laws and regulations applicable to its activities. The Auditor also reviewed findings and recommendations contained in a report assessing the MRU issued on April 3, 2001, by a DCPS contractor, and met with the contractor's staff to discuss their findings.

Additionally, the Auditor met with representatives of another contractor responsible for billing the Medicaid program on behalf of DCPS. Further, the Auditor examined documents and records obtained from DCPS, and interviewed officials responsible for managing the MRU. The Auditor also reviewed documents obtained from the Department of Health's Medical Assistance Administration (MAA) and the Department of Human Services' Income Maintenance Administration (IMA), and met with knowledgeable staff from both agencies. Where necessary, officials of other offices of the Government of the District of Columbia were interviewed to facilitate a thorough examination of the MRU's operation.

BACKGROUND

Medicaid is the largest program that finances the delivery of medical and health related services to certain low-income and needy individuals in the United States. Established in 1965 as part of Title XIX of the Social Security Act, the Medicaid program is jointly funded by the Federal Government and state governments, including the Government of the District of Columbia. Federal Financial Participation (FFP), which is the Federal Government's share of state and local governments' Medicaid program costs, generally falls under two categories: (1) administration, and (2) medical assistance. State and local governments are usually reimbursed at a fixed FFP rate of 50% for their administrative costs for functions such as Medicaid outreach, follow-up, and eligibility determination. Costs for medical assistance such as medical and health related services are reimbursed at varying FFP percentage rates, limited to a minimum of 50% and a maximum of 83%, with poorer states and local governments receiving a higher percentage and wealthier ones receiving a lower reimbursement percentage. During fiscal years 2001 and 2002 as of February 15th, the FFP rate of reimbursement to the District of Columbia was 50% for administrative costs and 70% for medical assistance costs.

The Medicaid program administered by state and local governments is intended to facilitate the provision of medical care to qualified individuals such as pregnant women, children, and needy individuals who are aged, blind, or disabled. State and local governments determine whether individuals are Medicaid eligible. The federal government agency responsible for the oversight of the Medicaid program is the Centers for Medicare and Medicaid Services (CMS), formerly known as the Health Care Financing Administration. The Government of the District of Columbia's state agency for state and local administration of Medicaid is the Department of Health's MAA.

MAA and other state agencies operate their Medicaid programs within the broad parameters of federal Medicaid laws and regulations. Each agency describes its program in a state plan. In summary, the plan details the scope of the state's Medicaid program (Medicaid) by listing eligibility groups and standards, services provided, applicable service requirements, and payment rates for those services.

In order for state and local governments to receive FFP reimbursement for the cost of health related services provided in schools, federal Medicaid regulations (42 CFR 431.107) require a provider agreement between the state Medicaid agency and the school entity furnishing the services. In the District, such an agreement exists between MAA and DCPS. Additionally, the services included in the State's Medicaid plan must be among those listed in the Medicaid statute (section 1905(a) of the Social Security Act) or be available under Medicaid's Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit. There is no benefit category in the Medicaid statute entitled "school health services". Consequently, except for services furnished under EPSDT, school health services must be specifically identified in the state plan to obtain Medicaid reimbursement for health related services provided to students determined Medicaid eligible. Such school health services are specifically identified in the District of Columbia's Medicaid state plan.

Medicaid Reimbursable Special Education Services

The Individuals with Disabilities Education Act (IDEA), 20 USC 1400 et seq., formerly known as the Education of the Handicapped Act, authorized Federal funding to states for special education services provided in schools. Part B of IDEA was designed to ensure that children with disabilities and resulting special education needs receive a free appropriate public education. Part C of IDEA provides financial assistance to states to develop and implement early intervention programs for infants and toddlers under age 3 with disabilities as well as their families.

Section 411(K)(13) of the Medicare Catastrophic Coverage Act of 1988 (P.L. 100-360) amended section 1903(c) of the Social Security Act to permit Medicaid payment for medical and health related services provided to children in special education programs who are determined Medicaid eligible. Although Medicaid offers coverage for infants and toddlers under Part C of the statute, the Auditor's review focuses only on services rendered in the District under Part B of IDEA.

In general, children with disabilities under Part B of IDEA are defined as:

1. children with mental retardation, hearing impairments (including deafness), speech or language impairments, visual impairments (including blindness), serious emotional disturbance, orthopedic impairments, autism, traumatic brain injury, other health impairments, or specific learning disabilities; and who by reason thereof, need special education and related services; or
2. children aged 3 through 9 experiencing developmental delays, as defined by the state and as measured by appropriate diagnostic instruments and procedures, in one or more of the

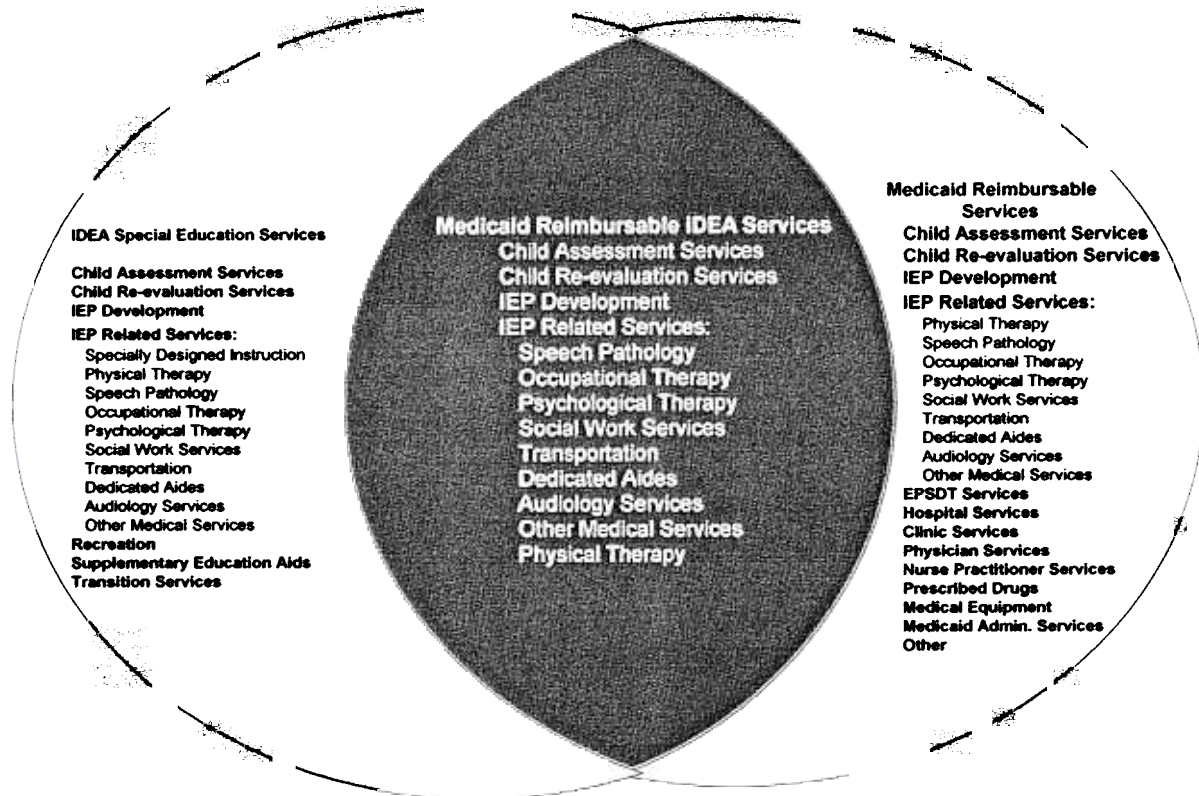
following areas: physical development, cognitive development, communication development, social or emotional development, or adaptive development, and who, by reason thereof, need special education and related services.

Under Part B of IDEA, school districts must prepare an Individualized Education Program (IEP) for each child which specifies all special education and related services needed by the child.¹ Medicaid will pay for some of the health related services required by Part B of IDEA, if they are among the services specified in the Medicaid law and included in the state's Medicaid plan or available through the EPSDT benefit. Examples of such services include physical therapy, speech pathology, audiology services, occupational therapy, social work services, psychological services, personal care services (dedicated aides), medical services for diagnostic and evaluation purposes, assessment of disabling conditions services, and transportation.

As the diagram on page 5 is intended to show, all services provided under IDEA are not reimbursable by Medicaid.

¹ See also 5 DCMR 3007.

IDEA SERVICES AND MEDICAID FUNDING



DCPS' Organizational Structure Implementing Medicaid Recovery

Within DCPS, the Office of Special Education is responsible for providing services under Part B of IDEA, including development of the IEP, regardless of a student's placement in a private or public school setting. The Office of Special Education is also responsible for ensuring that all related services are provided in a manner that appropriately meets a student's needs as specified in the IEP. However, additional effort must be undertaken in order to obtain Medicaid reimbursement of the cost of providing health related services. For instance, health related service providers and other staff of the Office of Special Education must adequately document their services at a very detailed level and DCPS' Office of the Chief Financial Officer (DCPS OCFO)² must bill Medicaid for the services actually delivered. The success of DCPS' Medicaid reimbursement recovery efforts (also known as Medicaid revenue maximization efforts) relies heavily on effective communications, cooperation, and coordination between the financial activities of the DCPS CFO's MRU and the program activities of the Superintendent's Office of Special Education. An ineffective system of communication, coordination, and cooperation between the Superintendent's Office of Special Education and the DCPS CFO's MRU undermines DCPS' Medicaid revenue maximization efforts.

In fiscal year 1998, the DCPS OCFO relied on a billing contractor to gather adequate documentation of health related services rendered to Medicaid eligible DCPS special education students, and submit claims to MAA to obtain reimbursement for DCPS' costs of providing these services. The DCPS OCFO recognized that DCPS' Medicaid recovery efforts needed improvement because it was not maximizing the recovery of funds from Medicaid for health related services provided to students in the special education program. DCPS' OCFO also recognized that it did not have sufficient internal capacity such as personnel, data, and information management systems to effectively perform this function.

Recognizing the need to improve Medicaid recovery efforts, in May 1999 DCPS' OCFO obtained the services of a new billing contractor to assist DCPS in maximizing the recovery of money spent for providing Medicaid reimbursable services to qualified special education students. According to the agreement, the contractor's services would increase the amount of revenue that DCPS recovered from Medicaid for health related services provided through the special education program.

To further address the need for improvement, DCPS' OCFO established the Medicaid Recovery Unit (MRU) in December 1999 to administer Medicaid recovery activities within DCPS. According to the "Medicaid Unit Cost Recovery Manual," the primary mission of the MRU is "to

² DCPS' OCFO is under the management and direction of the District of Columbia's Chief Financial Officer.

maximize the recovery of federal entitlement dollars for DCPS while using as few organizational resources as possible, minimizing the amount of work necessary to be performed in operating divisions in support of recovery.” In other words, the MRU is responsible for maximizing recovery of Medicaid reimbursable costs of health related services provided to DCPS special education students. Successfully performing this responsibility, at a minimum, requires the collaborative and coordinated efforts of the Board of Education, Superintendent, the Office of Special Education, the MRU, and the billing contractor. Further, it also requires effective collaboration and coordination between DCPS and MAA.

Medicaid Recovery Methods for DCPS

DCPS currently uses two methods to obtain Medicaid reimbursement: (1) periodic billing, and (2) cost settlement claim. Using these two methods, claims are submitted to MAA to obtain reimbursement for the cost of providing health related services such as occupational therapy, physical therapy, social work services, health related screenings, dedicated aides, transportation, speech pathology, audiology services, psychological services, initial assessments and reevaluations of special education students, and IEP development.

Under the periodic billing method, DCPS bills Medicaid as health related services are provided to students in public and nonpublic schools during the fiscal year. DCPS is reimbursed based on an interim rate approved by MAA. Periodic billings are further categorized as Fee For Service billings and Per Diem billings which are prepared by Office of Special Education service providers and the MRU, respectively. On the other hand, the cost settlement claim is prepared annually by the billing contractor, with the assistance of the DCPS OCFO and the Office of Special Education, based on actual costs incurred for services rendered to Medicaid eligible special education students.

I. Periodic Billing: Fee For Service Billing and Per Diem Billing

Under the Fee For Service billing method, MAA authorizes specific procedure codes and fees for each reimbursable service provided by DCPS. DCPS bills Medicaid by the procedure code for each service rendered to a Medicaid eligible special education student. Each procedure code has a fee associated with providing that particular service. The fee is the maximum amount DCPS can be reimbursed for providing an authorized service. (See Appendix I for an example of authorized procedure codes and fees).

Under the Per Diem billing method, DCPS must bill Medicaid at an authorized daily rate for each day that a Medicaid eligible child receives health related services at one of four DCPS public clinic schools or over 60 non-public schools located in the District, Maryland, and Virginia. Public clinic schools and non-public day schools operate nonresidential treatment programs that provide medically supervised services to children with developmental disabilities and mental disorders. The interim daily rate authorized by MAA, which varies by facility, is the maximum amount DCPS can be reimbursed for all health related services provided to a Medicaid eligible special education student on any day. (See Appendix II for an example of approved interim Per Diem rates.) Claims for special education students in these schools are based on monthly attendance reports.

In fiscal year 2001, DCPS established four additional public clinic schools to provide special education students with intensified therapeutic services. At the time of the Auditor's examination, costs incurred for health related services at these schools were not billed to Medicaid because DCPS had not obtained approved Per Diem reimbursement rates from MAA. Claims for such costs will be retroactively billed to Medicaid when MAA approves per diem reimbursement rates. However, under the timely claims processing provisions of federal Medicaid regulations (42 C.F.R. 447.45(d)(1)), MAA must require providers to submit claims no later than 12 months from the date of service to be considered for reimbursement.³ This is an important point because delays in DCPS obtaining approved rates from MAA for these additional public clinic schools causes an increased number of claims to fall outside of the timely filing deadline, thereby jeopardizing DCPS' ability to obtain Medicaid reimbursement for services provided by these schools.

II. Annual Cost Settlement Claim

The cost settlement claim, submitted on an annual basis, reports DCPS' actual and audited cost of services provided to Medicaid eligible special education students during the fiscal year. Payments received from MAA as a result of periodic billings are deducted from DCPS' actual cost to determine whether any additional monies are due to or owed by DCPS. A report indicating the balance due to or owed by DCPS is then submitted to MAA as a cost settlement claim. Pursuant to the District's State Medicaid Plan, Attachment 4.19B, MAA will review or audit the cost report no less than once every two years, determine DCPS' final actual and reasonable costs, and complete the settlement by paying the balance due to DCPS or collecting the amount owed by DCPS.

Prior to fiscal year 2000, a significant amount of DCPS Medicaid revenue was received through the cost settlement claim method rather than the periodic billing method. However, after establishing the MRU and obtaining the services of a billing contractor in fiscal year 1999, the amount of Medicaid revenue recovered by DCPS under the periodic billing method increased 90%

³ Although 42 C.F.R. 447.45(d)(1) requires submission of claims no later than 12 months from the date of service, the District of Columbia Medicaid State Plan, Attachment 4.19E, shortens the time limit to 6 months.

between fiscal years 1999 and 2000. Table I shows a history of revenue realized by using the periodic billing method versus the cost settlement claim method from fiscal years 1997 through 2002, as of February 15, 2002. Table I also shows a comparison of the yearly revenues realized using both billing methods to the projected revenues that were included in DCPS' initial and revised approved budgets. This comparison indicates that the initial projected revenues for fiscal years 2001 and 2002 were extremely aggressive and unrealistic.

Table I
History of Medicaid Revenue
Realized Compared to Projections By Fiscal Year
(\$ In Millions)

Fiscal Year	Periodic Billing Revenue	Cost Settlement Claim Revenue	Actual Periodic Billing & Cost Settlement Claim Revenue Realized	Initial Medicaid Revenue Projection	Revised Medicaid Revenue Projection
1997	\$ 9.7	\$ 0	\$ 9.7	\$ 6.2	\$ 6.2
1998	8.4	0	8.4	6.2	6.2
1999	9.7	* 14.1	23.8	9.0	9.0
2000	18.5	** 10.3	28.8	31.0	24.0
2001	25.2	0	25.2	42.0	31.0
2002	3.2	0	*** 3.2	43.0	16.7
Total	\$ 74.7	\$ 24.4	\$ 99.1	\$ 137.4	\$ 93.1

Source: DCPS

*Cost settlements of \$8.1 and \$6.0 million for fiscal years 1996 and 1997, respectively

**Cost settlement for fiscal year 1998

***Actual revenue realized as of February 15, 2002

As indicated in Table I, the periodic billing method is preferred over the cost settlement method because it captures more revenue during the fiscal year in which costs are incurred instead of two or more years after costs were incurred. The periodic billing method increases DCPS' cash flow and avoids long delays in receiving reimbursements from the cost settlement claim method. However, if DCPS cannot provide adequate supporting documentation for these periodic billings when MAA conducts its annual audits, DCPS may have to refund some of the Medicaid reimbursements that were received based on periodic billings.

Results of Prior Reviews of the MRU

During fiscal year 2001, another DCPS contractor conducted a site visit of the MRU at the request of the DCPS OCFO. The contractor issued a report on April 3, 2001, that described the strengths and challenges faced by the MRU in pursuing its primary goals of revenue enhancement and management capacity for internal Medicaid and special education business applications.

Although the review dealt with a variety of issues and concerns, the report highlights those applicable to two goals:

1. maximizing recovery of Medicaid monies for allowable services pursuant to special education; and
2. building internal capacity for the self-management of a Medicaid recovery initiative.

The report summary stated that DCPS had made strides in recovering Medicaid monies. However, the report also concluded that DCPS operated blind in that it did not have:

1. custody of encounter, eligibility, and adjudication data sets;
2. the capacity to reconcile claims, exposing itself to serious liability such as forgoing potential Medicaid claims or having to re-pay monies to MAA; or
3. a responsive audit mechanism.

Moreover, the report found that DCPS has failed to make significant progress towards building the internal capacity to address the deficiencies noted above. Further, the report opined that these problems were exacerbated by ineffective internal practices, including a flawed data collection model, lack of incentives such as giving service provider groups and teachers an opportunity to share in recovered Medicaid revenue, inadequately articulated policies, and few or no technical and analytical tools. Salient recommendations included immediate internal audit, a revised data collection strategy, improved use of the Special Education Tracking System (SETS), policy changes, management changes, and expanded use of automated solutions. Specific recommendations were also provided in the report.

DCPS did not provide the Auditor with evidence that the contractor's recommendations were implemented as of February 15, 2002. Also, the Auditor's examination revealed that the MRU's resources had declined significantly since the contractor's report was issued, therefore making it even more difficult, if not impossible, to implement the recommendations in a timely manner.

FINDINGS

MRU's FAILURE TO BECOME FULLY FUNCTIONAL IMPEDES RECOVERY OF AT LEAST AN ADDITIONAL \$5 MILLION IN MEDICAID REIMBURSEMENTS FOR THE PERIOD OCTOBER 2000 THROUGH FEBRUARY 2002

Overall, the Auditor found that the MRU's operation was ineffective and resulted in poor oversight of DCPS' Medicaid revenue maximization efforts. As a consequence, DCPS may have at least \$5 million in additional unrealized revenue from Medicaid for the period October 2000 through February 2002 due to the failure of the MRU to fully achieve its goals and effectively implement policies and processes regarding Medicaid reimbursement. For instance, efforts have not been expanded to recoup various types of Medicaid reimbursable costs incurred by DCPS, such as:

1. \$3 million of costs incurred to provide health related services at four public clinic schools. In fiscal year 2001, DCPS established four additional public clinic schools to provide special education students with intensified therapeutic services. Medicaid claims for these public clinic schools were not being filed as of February 15, 2002. According to MRU staff and the billing contractor, the DCPS OCFO discontinued the Fee For Service billing method of recovering costs incurred at these schools because DCPS intended to start billing Medicaid under the Per Diem billing method and did not want to risk the possibility of double billing for the same services. The Per Diem billing method would recover more of the cost of providing health related services to students at these public clinic schools than the Fee For Service billing method. Based on attendance data collected for these schools by the MRU since January 2001, and assuming MAA will approve a Per Diem reimbursement rate of at least \$78 per day per student, the Auditor determined that DCPS could recover approximately \$3 million for costs incurred between January 2001 and February 2002 in additional reimbursements from Medicaid for these four public clinic schools;

2. \$1.3 million of administrative costs incurred during fiscal years 2001 and 2002 for school-based health and outreach activities, which are not claimed under the Fee For Service or Per Diem billing methods. Reimbursable administrative costs are those associated with locating, identifying and referring children needing health related services to seek an eligibility determination; to assist families in accessing Medicaid services through education and public awareness; and to seek appropriate providers

to care for children. The Auditor was provided documents by the MRU in which the billing contractor estimated that \$1 million in additional reimbursements could be recovered from Medicaid for these types of administrative costs incurred during fiscal year 2001. Further, the District's CFO indicated that the fiscal year 2002 Medicaid revenue projections include \$300,000 in potential reimbursements for Medicaid administrative cost claims;

3. \$413,000 of administrative, personnel and other costs, such as supplies and equipment, for the MRU's operation during fiscal years 2001 and 2002, as of February 15, 2002. Personnel costs are 50% reimbursable by Medicaid and total over \$700,000 for fiscal year 2001, and approximately \$125,000 for fiscal year 2002 as of February 15th;
4. \$300,000 of Medicaid reimbursable costs paid by DCPS to residential facilities and charter schools. If children are placed in such schools or facilities by the District (i.e., through the court system or DCPS) to receive a free appropriate public education, the financial obligations for these placements are the responsibility of DCPS. Recovery efforts conducted by the MRU in fiscal year 2001 estimated that \$300,000 was owed to DCPS by residential facilities as of October 2000. An amount has not been estimated for charter schools; and
5. costs to evaluate and provide health related services to students with disabilities within the meaning of Section 504 of the Rehabilitation Act of 1973. Section 504 of the Rehabilitation Act extends civil rights protection to children with disabilities that substantially limit a major life activity, such as walking, seeing, hearing, speaking, breathing, learning, working, self-caring and performing manual tasks. Some of these children may be eligible for special education programs under IDEA and, therefore, the costs of health related services provided to them may be Medicaid reimbursable.

According to the "Medicaid Unit Cost Recovery Manual", the MRU has three goals:

1. developing a recovery unit within DCPS' OCFO;
2. identifying opportunities for expanding DCPS' recovery efforts; and
3. developing the infrastructure to facilitate in-house billing.

The Auditor found that the MRU failed to accomplish its goals because it was not fully functional due to inadequate MRU staff and other resources, and the lack of sustained effective leadership within the DCPS OCFO generally and the MRU specifically. As shown below in Table II, and previously described in this report, adequate Medicaid revenue maximization efforts could have recovered an additional \$5 million in reimbursements for the period October 2000 through February 2002.

**Table II
Reimbursement Shortfalls
October 2000 through February 2002**

Description	Shortfall Amount
Costs of Health Related Services Provided at Four Public Clinic Schools	\$3.0 Million
Administrative Costs Incurred for School Based Health and Outreach	\$1.3 Million
Administrative Personnel and Other Operating Costs incurred by the MRU	\$0.4 Million
Costs of Health Related Services Provided by Residential Facilities	\$0.3 Million
Total	\$5.0 Million

Source: DCPS and ODCA

Formal Budget Not Established to Support Organizational Development of the MRU

The Auditor was provided with documentation indicating that all activities necessary to accomplish the goal of developing a recovery unit within DCPS' OCFO were performed except for development of a formal budget for the MRU. The DCPS OCFO established the MRU to fulfill DCPS' Medicaid reimbursement claiming needs. Establishing a formal budget would significantly benefit the MRU in that it would require:

- an assessment of the resources needed to effectively operate the MRU;
- the allocation of sufficient funds to address the MRU's operational needs; and
- the development of performance standards and measures that are tied to the MRU's budget.

Lack of Policies Regarding the Medicaid Application Process Prevents Maximization of Medicaid Reimbursements

Partial accomplishment of the second goal of identifying opportunities for expanding DCPS' recovery efforts is evidenced by policies, plans and guidelines contained in manuals developed by the MRU, and by the fact that the MRU helped increase Medicaid revenue realized by DCPS through periodic billings of approximately \$9.7 million in fiscal year 1999 to approximately \$25.2 million in fiscal year 2001. Although the MRU appears to have conducted many activities to accomplish its second goal, the Auditor noted that one very important activity had not been performed—developing internal policy regarding the Medicaid application process. This activity should also include developing and implementing effective Medicaid outreach policies, procedures, and plans. Existing MRU goals do not address establishing a comprehensive outreach policy, procedures, and plans either by DCPS' central administrative staff, school based staff, or the MRU.

Developing internal policies regarding the Medicaid application process, including Medicaid outreach, is critical to expanding Medicaid coverage to uninsured special education students. In the District, students and their parents or guardians must apply for Medicaid coverage. A DCPS policy requiring aggressive outreach to qualified applicants in DCPS school settings could increase the number of Medicaid eligible special education students, thus increasing Medicaid reimbursements for covered services. For instance, an effective policy could require performance of the following functions when a student is initially assessed for the special education program, the IEP is developed, or a student is registered to attend school:

- verifying students' Medicaid eligibility;
- informing parents or guardians of available Medicaid benefits; and
- assisting applicants in completing a Medicaid application.

By aggressively identifying special education students qualified for Medicaid coverage, DCPS could capture additional Medicaid revenue to offset the cost of providing required health related services to these students.

The potential for capturing additional Medicaid revenue is evidenced by the result of a denied claims test conducted by the Auditor. From inception of the DCPS billing contract in 1999 through February 15, 2002, Medicaid denied payment of over \$5.9 million for approximately 79,000 health related service claims because the students were not covered by Medicaid on the dates of service. The Auditor examined records for a random selection of denied claims and found that Medicaid could have reimbursed at least 20% of the randomly selected denied claims if DCPS had

ensured that the students were Medicaid eligible: 1) at the time of initial special education assessment, 2) when the IEP was developed, or 3) at the beginning of the school year. Development and implementation of an aggressive Medicaid outreach and application policy and clearly defined procedures, along with relevant performance standards and measures, would provide much needed guidance and accountability to help ensure that all of DCPS' qualified special education students apply for and are in fact determined Medicaid eligible before reimbursable assessments and health related services are provided.

Furthermore, establishment of a student's Medicaid eligibility is not permanent. Federal regulations require Medicaid eligibility re-certification at least every 12 months. Therefore, DCPS administration and program managers must establish an effective system under which the status of students' Medicaid eligibility is periodically reviewed in order to ensure that their Medicaid coverage is not terminated as a result of the failure to re-certify their Medicaid eligibility. If DCPS administrators fail to establish an effective system of periodic Medicaid eligibility review, DCPS will continue to experience a significant number of denied claims due to questions regarding the status of a student's Medicaid coverage.

MRU and DCPS' OCFO Have Not Performed All Activities Necessary to Facilitate In-House Billing

Claims are billed to Medicaid using a billing system operated by a contractor whose contract expired March 10, 2002, but was extended to September 30, 2003. The third goal of the MRU is to develop the infrastructure necessary to facilitate in-house billing. Approximately 36 tasks must be completed for the MRU to accomplish the third goal. Examples of the tasks are listed below:

- train related service providers to develop a process for reviewing service documentation and batching documentation for the billing contractor;
- obtain access to the Department of Human Services' Automated Client Eligibility Determination System (ACEDS);
- obtain access to the Department of Health's MMIS (the MAA database);
- develop Medicaid outreach material;
- develop an incentive program for schools and providers;
- obtain access to special education transportation database;
- develop plan to link transportation data to the billing system and special education database for efficient billing of transportation services; and
- explore prospective versus retrospective claiming, possibly eliminating cost settlements.

The Auditor found that less than half of the tasks had been performed as of February 15, 2002. Some of the more important tasks not fully performed included:

1. obtaining access to the MAA's MMIS (the MAA database) in order to verify student Medicaid eligibility and other demographics before claims are submitted to Medicaid;
2. obtaining access to and training on the use of the contractor's billing system to facilitate a smooth transition of the claiming process from the contractor to DCPS; and
3. assessing staffing requirements to bring the billing system in-house to perform such tasks as rate development, cost settlement preparation, system queries, and claims adjudication.

The following discussion further explains the relationship between the MMIS and the DCPS billing process noted above. The MMIS, a database maintained by MAA, contains confidential information about all Medicaid eligible District residents. Using MMIS, MAA verifies the Medicaid eligibility of DCPS students before authorizing payment of claims received from DCPS' billing contractor. Before submitting claims to MAA, the DCPS billing contractor also attempts to pre-verify students' eligibility by using an MMIS data file occasionally provided by MAA that over a relatively short period of time becomes outdated.

The Auditor found that during the audit period MAA did not consistently provide the billing contractor with updated MMIS data files because of MAA's reluctance to share confidential information with a contractor, even though the contractor represents DCPS. According to the CMS Medicaid and school health technical assistance guide, the confidentiality concern could be addressed if MAA regularly provided updated MMIS data files to DCPS instead of the contractor in that DCPS is the entity with which MAA has entered into a written interagency agreement to provide health related services, and has established standards of confidentiality comparable to MAA's (42 C.F.R. 431.306). DCPS is also bound by the confidentiality provisions of the federal Family Educational Rights and Privacy Act. The contractor's inability to regularly gain access to MAA's most current data files meant that the contractor could not, and still cannot, determine whether special education students receiving health related services were Medicaid eligible before submitting claims to MAA. As a consequence, the contractor engaged an inefficient practice of submitting claims to MAA for health related services provided to all special education students regardless of their Medicaid eligibility.

The MRU contributed to this inefficiency by neglecting to verify students' Medicaid eligibility before submitting claims to the contractor for billing. This deficiency was further exacerbated by the fact that even though the MRU staff gained access to the MMIS beginning January 2000, they did not consistently use this important tool to determine students' Medicaid eligibility before submitting Medicaid claims to MAA. Instead, the MRU staff only occasionally used MMIS to obtain information about students in response to various inquiries from the billing contractor and other DCPS offices.

The second and third tasks stated above are self-explanatory and interrelated because their success requires that the MRU have adequate staff and up to date computer technology before the billing contractor can begin training staff and transferring the billing system to DCPS. The Auditor found that DCPS is not well positioned to take over the billing system due to, among other reasons, outdated computer and information management technology, and extensive turnover of staff within the DCPS OCFO and MRU.

The MRU had extensive staff turnover during fiscal year 2001, the second year of its operation. This turnover destabilized management of the MRU and disrupted the MRU's ongoing efforts to develop and implement Medicaid policy, as well as the performance of other vital functions of a successful Medicaid revenue maximization program.

The MRU began fiscal year 2001 fully staffed with 12 continuing full-time employees and one part-time employee (See Appendix III, Medicaid Unit Organization Chart). However, the turnover in staff filling key management, policy development and implementation positions began in March 2001 with the departure of the MRU's Director, a cost recovery specialist, and three policy analysts. By September 30th of fiscal year 2001, the MRU staff had declined from 13 to seven persons. (See Appendix IV, Revised Medicaid Unit Organization Chart) During the second half of fiscal year 2001 and through most of fiscal year 2002, the MRU lacked leadership and the ability to develop and implement policies and procedures necessary to further expand DCPS' recovery of Medicaid revenue. As of February 15, 2002, the MRU staff still consisted of seven employees that included a staff person acting as director/supervisor, one administrative assistant, one policy analyst, three billing specialists, and one part-time employee.

As of February 15, 2002, the interim DCPS OCFO had failed to hire an MRU director who possessed sufficient knowledge of Medicaid laws and policies, and the skills needed to manage a successful Medicaid cost recovery operation. Also, the cost recovery specialist and policy analyst positions remained vacant. Leadership, policy development and implementation were minimal, and the efforts of the remaining MRU staff were primarily focused on collecting claims data in support

of the billing contractor's claims process. The MRU's small staff size, inadequate leadership, and insufficient policy development also substantially hindered the establishment of an effective Medicaid recovery efforts.

The MRU also lacked access to adequate computer technology necessary to successfully accomplish its goals. The MRU's computer system consisted of stand-alone desktop workstations with limited memory capacity. DCPS' Management Information System (MIS) was available to the MRU, with limitations. The lack of MIS involvement is illustrative of the Auditor's overall observation that the MRU was allowed to operate in a vacuum and without the organizational support necessary to integrate the mission of the MRU into the general responsibilities of DCPS and specific responsibilities of the Office of Special Education. This indicates a disengagement by top DCPS administrators to establish a cooperative working relationship with the DCPS OCFO to facilitate the necessary coordination of activities and assistance of other essential components of DCPS. Improved availability of DCPS' MIS to the MRU could facilitate the MRU's efforts to obtain access to MAA's MMIS and build an infrastructure to bring the Medicaid billing system in-house.

Furthermore, the computer systems made available to the MRU were not capable of managing Medicaid claims data files generated by MAA because the systems did not contain compatible software. Therefore, the MRU relied on the billing contractor to convert Medicaid claims data files into a format compatible with the MRU's software.

RECOMMENDATIONS

1. The Chief Financial Officer of the District of Columbia should extend the existing revenue maximization contract until the MRU is fully staffed and operational to prevent further disruption of DCPS' Medicaid recovery process. After the MRU is fully operational, the DCPS CFO should immediately audit the contractor's records and bring the Medicaid billing system and all related records in-house.
2. The DCPS CFO should immediately hire an MRU director with, at a minimum, extensive knowledge of Medicaid rules and regulations, special education experience, and experience in administering an effective Medicaid recovery operation.
3. The DCPS CFO should establish an MRU staffing plan and hire staff with the requisite qualifications necessary to successfully develop and operate an effective MRU, and

provide ongoing staff training and other resources necessary to ensure the MRU's success.

4. The DCPS CFO should develop performance standards, measures and annual performance plans for the MRU and implement the mechanisms necessary to accurately measure the MRU's accomplishments, and timely identify and correct deficiencies that hamper successful achievement of performance goals, standards, and measures.
5. The DCPS CFO and Superintendent should upgrade computer systems and information management technology within the MRU to facilitate management of Medicaid data currently generated by MAA and to facilitate building an infrastructure to bring the Medicaid billing system in-house.
6. The DCPS CFO should ensure that the MRU's access to the MMIS includes linking DCPS' billing system to the MMIS in order to automate verification of student Medicaid enrollment before claims are submitted for Medicaid reimbursement.
7. The DCPS CFO should obtain support from the Board of Education, Superintendent, and other DCPS officials to assist in providing clear direction to school principals, administrators, and staff in support of the Medicaid outreach and application policies and procedures.
8. DCPS' Board of Education, Superintendent, in conjunction with other accountable DCPS officials, should designate a position in the Office of Special Education as the Medicaid liaison between the Office of Special Education and the MRU to facilitate the timely flow of accurate information between the two offices.
9. The DCPS CFO and Superintendent should immediately establish the determination of Medicaid eligibility as a required component of the initial special education assessment process and subsequent IEP development, evaluation, and reevaluation processes conducted by the Office of Special Education. Medicaid eligibility determinations could be verified by an MRU employee specifically assigned this responsibility.
10. The Medicaid eligibility application policy, which must be established to accomplish the MRU's stated goals, should require the implementation of outreach efforts by DCPS to inform parents of the availability of Medicaid and the benefits that would accrue to their child. This outreach should be conducted at initial special education assessment

meetings and reiterated in the special education handbook for parents. A copy of the Medicaid application and applicable instructions should be included in the handbook.

11. The Medicaid application policy should also require each school to obtain and distribute Medicaid information and applications to parents and guardians of special education students registered to attend school. Schools could obtain the student's Medicaid identification number which could then be used to verify Medicaid eligibility of the student as of the date of registration.

IMPROPERLY MAINTAINED RECORDS THROUGHOUT THE SCHOOL SYSTEM MAY CAUSE DCPS TO LOSE FUTURE MEDICAID REVENUE

The agreement between DCPS and MAA requires DCPS to document the delivery of health related services as well as monitor activities of students whose services have been billed to Medicaid. Required documentation of services delivered must be maintained in special education students' files in accordance with Section V.1 of the "District of Columbia Public Schools Medicaid Manual." On one hand, the MRU is charged with the responsibility of monitoring the adequacy of the supporting documentation that DCPS employees maintain in a special education student's file. On the other hand, it is the responsibility of the DCPS Superintendent to communicate clear and enforceable management directives to school principals, special education program administrators, and other accountable staff regarding the requirement to document services rendered, and maintain such documentation in students' files.

The Auditor found that in the late 1990s DCPS central administrators issued management directives regarding the need to document the delivery of services and maintain documentation in students' files. The Auditor found that these directives were not reissued or reenforced by current central administrators, many of whom were hired after the original directives were issued.

Further, the Auditor found that the MRU staff did not maintain adequate records to demonstrate that it monitored the maintenance in special education students' files of adequate supporting documentation of services rendered. Based on a review of students' files for a sample of denied Medicaid claims, the Auditor found that adequate documentation of services rendered was not present in some student files.

DCPS and MAA recognized the need to improve documentation of Medicaid reimbursable services rendered to DCPS special education students. On December 12, 1999, an agreement was executed between DCPS and MAA to "set forth the terms of collaboration on initiatives that involve

Education and Medicaid.” The agreement was entitled, “Statement Of Agreement Between The District Of Columbia Public Schools (“DCPS”) And The D. C. Department Of Health Medical Assistance Administration (“DOH/MAA”). In Section II.f. of this agreement, DCPS agreed to “Document the delivery of health-related services as well as monitor activities of pupils whose services have been billed to the DOH/MAA by Education Agencies enrolled as Medicaid providers.” The Auditor found that DCPS had not substantially complied with this provision of the agreement.

Ensuring that adequate documentation of service delivery is maintained and that the activities of special education students are monitored is the responsibility of the MRU within its objective “to improve claiming and tracking Medicaid covered services.” In order to perform this responsibility, the MRU was further charged with the responsibility of developing plans for monitoring the adequacy of supporting documentation in schools’ special education records for health related services provided; performing on-site reviews of school records; and notifying the Office of Special Education of the school records that did not contain adequate documentation of services provided to students.

The MRU did not provide the Auditor with any documents indicating that a plan was ever developed for monitoring the adequacy of supporting documentation. Further, the Auditor was informed that documentation for all reviews conducted by the MRU staff may not be in the MRU’s files. The Auditor observed that the MRU’s files were in such disarray that a determination of their contents could not be made. However, a monitoring report dated August 21, 2000, indicated that 10 members of the MRU staff conducted reviews of fiscal year 1999 records at 94 schools during the period June 2000 through August 9, 2000. Despite these efforts, the MRU staff could not provide any information documenting the results of their reviews.

Additionally, other documents examined by the Auditor indicated that the MRU staff continued to review school records until March 2001. These documents also cited school record deficiencies noted during the reviews such as missing IEPs and missing provider progress notes. However, the documents did not indicate whether the Office of Special Education was notified of the deficiencies or whether, if notified, the Office of Special Education took any corrective action. After March 2001, the MRU’s monitoring of schools’ special education records ceased as a result, in part, of MRU’s lack of stable management and inadequate staff.

To further examine the adequacy of school records and the importance of monitoring such records, the Auditor tested a randomly selected sample of special education students’ files from over 99,000 claims denied reimbursement by Medicaid from inception of the DCPS OCFO’s billing contract in 1999 through February 15, 2002. The test revealed the following:

- 22.5% of the students' files did not contain IEPs that prescribed the services indicated on the claims;
- 13% of the students' files did not contain progress notes to justify the services billed on the claims; and
- some schools maintained the documentation in a haphazard, incomprehensible, and oftentimes incomplete manner.

The Auditor was informed by school-based staff that the files were incomplete for several reasons, including: 1) supporting documentation was not received when the students' files were transferred from another school; 2) files were transferred along with students to schools outside of the District's jurisdiction without a copy being made and retained by DCPS; 3) progress notes for services rendered were retained by providers instead of being placed in the students' special education file; 4) providers could not keep paperwork current because too many students were assigned to them for services; and 5) providers had too much unproductive time traveling long distances between schools to serve students, which prevented them from completing and filing student progress notes.

Recordkeeping deficiencies, regardless of their causes, have a substantial financial impact upon DCPS through the loss of Medicaid reimbursements as indicated in the Medicaid audits for fiscal years 1996 through 1998. Record maintenance and retention is ultimately the management responsibility of DCPS central administration and program managers, not the MRU. The 1996 through 1998 audits, which were finalized in fiscal year 2001, revealed that \$15 million of costs incurred for services rendered to special education students were disallowed for Medicaid reimbursement due to the lack of supporting documentation. Disallowed costs were a contributing factor to the deficit experienced by DCPS in fiscal year 2001. Medicaid audits for fiscal years 1999 through 2001 had not been completed as of the date of the Auditor's review because DCPS requested MAA to delay the starting date for the fiscal year 1999 audit, and has not submitted cost reports for fiscal years 2000 and 2001 to MAA. Therefore, the amount of disallowed costs associated with the lack of adequate supporting documentation for fiscal years 1999 through 2001 has not been determined.

Effective monitoring of school records would help ensure that legible, accurate, and complete records are maintained in order to justify the services that are billed to Medicaid. It would also ensure that records are arranged in a logical order such that clinical information and attendance records can be easily reviewed and audited. All Medicaid bills and claims are subject to audit, therefore, the IEP, attendance records, and documentation supporting health related services

provided on any given day must be accurately completed and maintained to justify and support reimbursement by Medicaid.

RECOMMENDATIONS

1. The DCPS CFO should provide the MRU with necessary resources such as qualified employees, training, supplies and computer equipment to resume monitoring schools' files to ensure that proper records and documentation are obtained and maintained for Medicaid enrolled special education students.
2. The DCPS CFO or the Director of the MRU, when one is hired, should establish written policies and procedures for effectively and timely performing periodic, ongoing monitoring of special education students' school records.
3. DCPS' Board of Education, Superintendent, and other accountable managers should develop and implement policies and procedures and effective measures of accountability to ensure that student files are regularly reviewed for completeness and that adequate documentation is retained when students transfer between schools.
4. DCPS' Board of Education, Superintendent, and accountable managers should establish and implement written policies and procedures requiring school principals, special education coordinators, special education service providers, and other appropriate school administrative staff to ensure that students' special education files are properly maintained with appropriate IEPs and adequate documentation of services rendered to special education students. Language in agreements with contract providers must include mandatory recordkeeping requirements. The policy should offer incentives to schools and staff to encourage proper, complete documentation and file maintenance, and ensure that all services rendered are fully documented. There should also be established effective accountability measures for any failure to do so.

INSUFFICIENT MEDICAID CLAIM RECONCILIATIONS RESULTED IN \$6.6 MILLION IN DENIED CLAIMS THAT MAY YIELD ADDITIONAL REVENUE

According to the "Medicaid Unit Cost Recovery Manual," the MRU staff is responsible for reconciling claims submitted for Medicaid reimbursement with the Medicaid claim status report provided semi-monthly by MAA, and researching, correcting and resubmitting denied claims for reimbursement. The Auditor found that the MRU staff did not adequately reconcile submitted

claims or research denied claims. In fact, failure to adequately research, correct and resubmit denied claims allowed over \$6.6 million of unresolved denied claims to accumulate from inception of the billing contract in fiscal year 1999 through February 15, 2002. The Auditor was informed and observed that the MRU did not have adequate staff, storage space, computer equipment, and supplies to perform an effective and efficient reconciliation function.

Fee For Service Claims

The Auditor was informed that over 12,000 Fee For Service billing forms (Encounter Data Tracking forms) are processed by the MRU staff on a monthly basis. Information contained in each form is used to claim Medicaid reimbursement of costs incurred for rendering health related services to a special education student. The MRU does not retain copies of all Encounter Data Tracking forms or record information from these forms in a log or database for tracking purposes. Consequently, the MRU does not have sufficient information necessary to effectively reconcile these claims with Medicaid claim status reports received from MAA on a semi-monthly basis. The MRU should account for each claim by comparing the details on Encounter Data Tracking forms against the details on the Medicaid claim status report, and MAA should be notified of discrepancies found during the reconciliation process.

Under the Fee For Service billing method, specific procedure codes and maximum fees for each service rendered are used by DCPS to bill Medicaid. DCPS' service providers are required to complete an Encounter Data Tracking form for each health related service rendered to a special education student.

The Encounter Data Tracking form is submitted through a special education discipline coordinator to the MRU for review. An employee in the MRU screens each form to ensure completeness of pertinent information such as student name, student identification number, service type, and reasonableness of progress notes. Accurate complete encounter Data Tracking forms are forwarded to DCPS' billing contractor who submits claims to MAA electronically in the format of a CMS "HCFA 1500" form.

Inaccurate or incomplete Encounter Data Tracking forms are researched by an MRU staff member and corrected, if possible, before sending the forms to the contractor for electronic billing. Forms that cannot be corrected are returned to the service provider for correction. Some forms must be returned to the same service providers more than once before the MRU receives an accurate complete form. The failure of some service providers to timely complete Encounter Data Tracking forms impedes the Fee for Service billing method. This deficiency indicates that some

providers: (1) do not fully understand how to complete the form; (2) do not comprehend the importance of completing the form; or (3) otherwise neglect to file properly completed forms. The Auditor was given a list of providers who consistently submit inadequately completed Encounter Data Tracking forms. This list will be turned over to the Superintendent of DCPS for the appropriate corrective action.

Through this examination, the Auditor found that the original Encounter Data Tracking forms submitted by the MRU to the billing contractor are not returned to the MRU for retention. The Auditor also found that the MRU only retained copies of forms used to bill Medicaid for the costs of services provided by dedicated aides. The MRU does not retain copies of any other Encounter Data Tracking forms. As a result, the MRU is not building an adequate historical record of processed Medicaid claims. Furthermore, without copies of the claims in its possession, the MRU cannot reconcile submitted Medicaid claims with reimbursements actually received from Medicaid to ensure the accuracy of amounts received. Such reconciliations are also needed to resolve issues that cause claims to be denied that can ultimately be corrected and resubmitted for Medicaid reimbursement.

Per Diem Claims

Additionally, under the Per Diem billing method the MRU submits over 8,000 Per Diem claims monthly for Medicaid reimbursement. The MRU maintains a monthly log to track receipt of attendance records for public clinic schools and non-public schools for these Per Diem claims. The Auditor found that the MRU does not use the log or attendance records to determine whether submitted claims were paid or denied by MAA. Reconciling the details on the attendance records such as student name and attendance date with similar information on Medicaid claim status reports received from MAA should enable the MRU to make such a determination.

Under the Per Diem billing method, DCPS bills Medicaid at an authorized daily rate for each day that a Medicaid eligible child receives services at one of four DCPS public clinic schools or over 60 non-public schools. The billing for these schools is based on a monthly attendance report submitted to the MRU for each school. A complete record of clinical information must be maintained at the school to substantiate Per Diem billed services. The MRU staff screens and validates the attendance reports and forwards the reports, in a standardized electronic format, to the billing contractor who electronically submits the claims to MAA. The MRU staff must manually convert some non-public schools' attendance data into the standardized electronic format before it can be forwarded to the billing contractor.

The Auditor reconciled a sample of denied Fee For Service and Per Diem claims that were randomly selected from the billing contractor's report of over 99,000 claims denied from inception of the billing contract in 1999 to February 15, 2002. The randomly selected claims were traced from the denied claims report to the supporting documentation in special education files located at various schools, and to the students' Medicaid eligibility status in the Automated Client Eligibility Determination System (ACEDS) maintained by the Department of Human Services' Income Maintenance Administration.

This test revealed that approximately 18% of the denied claims in the sample could have been easily resolved and payment received if the MRU had periodically performed claim reconciliations. Of the 18% in our sample, some claims were denied because the students were reported as ineligible for Medicaid on the dates of service. Information within ACEDS confirmed that the students were in fact Medicaid eligible on the dates of service for some denied claims, and that the wrong Medicaid identification number was used for the students on other denied claims. Additionally, of the 18% in our sample, some claims were denied because the spelling of students' names on the claims did not exactly match the spelling in the Medicaid eligibility file, which is a simple deficiency to correct if claim reconciliations had been performed. Information within ACEDS also confirmed that these students were Medicaid eligible on the service dates; therefore, these claims could have been paid by Medicaid if the spelling of the students' names had been corrected and the claims resubmitted to Medicaid in a timely manner by the MRU.

The total value of the denied claims in the billing contractor's report is \$7.6 million. However, of the \$7.6 million, approximately \$1 million represents over 9,000 duplicate claims that were previously paid and inadvertently re-billed; thus, reducing potentially reimbursable claims from \$7.6 million to \$6.6 million. Since 18% of the claims in our sample could have been paid, it is likely that a significant percentage of the \$6.6 million of denied claims in the billing contractor's report could also be collected. Based upon our sample results, we estimate that approximately 18,000, or 18%, of the denied claims could be collected. Using a sampling error of plus or minus 4%, we are 90% confident that the number of claims that could be collected lies between 14% and 22% of the population. This equates to an occurrence of between 14,000 and 22,000 claims out of over 99,000 claims in the billing contractor's report.

RECOMMENDATIONS

1. DCPS' Board of Education, Superintendent, and other accountable managers should ensure that a Medicaid recovery incentive program is implemented that offers incentives

- to providers to submit accurate, complete and timely billing information to the MRU, and imposes penalties or other measures of accountability when they fail to do so.
2. The DCPS CFO and the Assistant Superintendent for Special Education should jointly develop and implement mechanisms necessary to automate submission of Fee For Service billing encounter data by providers to the MRU, in a manner which strengthens accuracy and imposes consistency in the information received.
 3. The DCPS CFO should provide the MRU with sufficient resources such as staff, computer equipment, filing and storage space, and supplies necessary to effectively and efficiently perform the following:
 - a. retain copies of Fee For Service billings (until implementation of an automated system) and develop a system to track Fee For Service claims that are submitted to MAA;
 - b. train special education discipline coordinators to screen Fee For Service encounter forms to ensure completeness of pertinent information such as student name, student identification number, service type and reasonableness of progress notes before submitting the forms to the MRU;
 - c. develop a formal filing system and electronic database for the MRU to maintain efficient files of all claims submitted to MAA;
 - d. perform periodic reconciliations between all Medicaid claims submitted and reimbursements received;
 - e. immediately research, resolve, and resubmit all existing denied claims;
 - f. develop and implement procedures governing timely resolution and re-submission of denied claims; and
 - g. maintain efficient, well-organized, and complete files regarding the outcome of the MRU's monitoring activities.

MEDICAID RECOVERY DECLINED BY \$4.3 MILLION IN THE FIRST QUARTER OF FISCAL YEAR 2002 WHEN COMPARED WITH MEDICAID REVENUE RECOVERED DURING THE SAME PERIOD IN FISCAL YEAR 2001

As previously stated, the mission of the MRU is to maximize the recovery of Medicaid revenue for DCPS. The amount of revenue realized from Medicaid was \$4.3 million less in the first quarter of fiscal year 2002 than during the same quarter of fiscal year 2001. A reduction in the staffing level of the MRU appears to be one of the primary causes of the decline in Medicaid revenue. Table III presents a comparison of the recoveries for claims processed in the first quarter of each fiscal year.

**Table III
Medicaid Revenue
1st Quarter Comparison**

Claim Description	1st Quarter Fiscal Year 2001 Revenue	1st Quarter Fiscal Year 2002 Revenue	Increase (Decrease)
Fee For Service	\$ 371,267	\$ 304,161	\$ (67,106)
Per Diem	2,609,333	1,813,559	(795,774)
Fee For Service –Transportation	3,479,257	0.00	(3,479,257)
Total	\$ 6,459,857	\$ 2,117,720	\$ (4,342,137)

Source: DCPS

As indicated in Table III, the variance is primarily due to the reduction in claims submitted for recovery of transportation costs. Claims for the recovery of transportation costs were not processed in the first quarter of fiscal year 2002 primarily because the MRU did not compile data to support transportation cost claims, and the DCPS CFO had not implemented another mechanism to bill Medicaid for reimbursement of transportation costs. As of February 15, 2002, DCPS still had not realized any revenue in fiscal year 2002 from the recovery of transportation costs because claims had not been submitted to Medicaid.

It is DCPS' policy to bill Medicaid for reimbursement of the cost for transportation service provided on a day that a Medicaid eligible child received a Medicaid allowable service, and then only if the child was transported by a Medicaid approved mode of transportation. Therefore, the generation of transportation claims is dependent upon gathering accurate data regarding students'

daily mode of transportation and gathering documentation reflecting the receipt of Medicaid allowable services.

The MRU staff manually gathered pertinent information to support billing Medicaid for transportation costs incurred by DCPS in fiscal year 2000. The transportation billings submitted to Medicaid in the first quarter of fiscal year 2001 were partially the result of the MRU staff's efforts to gather fiscal year 2000 transportation cost data. With the direction and guidance of the former Director of the MRU, a former Cost Recovery Specialist, and former MRU Policy Analysts, the MRU was able to gather data to bill Medicaid for transporting thousands of DCPS special education students.

Although the procedures used to gather this information were not documented, according to the MRU staff, the procedures were part of a very labor intensive and time-consuming effort to obtain photocopies of transportation trip tickets for each student. A trip ticket is a form that describes the daily transportation service provided to a student. Trip tickets are prepared and maintained by staff of the DCPS Transportation Office. The staff of the MRU searched through the DCPS Transportation Office's files to locate a trip ticket for each day that a special education student was transported by a Medicaid approved mode of transportation. Applicable data was manually keyed by the MRU staff from the trip tickets into an electronic format that was forwarded to the billing contractor for submission to Medicaid. The MRU staff's extraordinary efforts yielded approximately \$3.5 million of revenue in the first quarter of fiscal year 2001. Unfortunately, DCPS has not had the privilege of enjoying such revenue in fiscal year 2002 because the MRU lost staff, leadership and other resources necessary to obtain Medicaid revenue in this area, and because DCPS has not implemented another mechanism to bill Medicaid for reimbursement of transportation costs. Although DCPS has developed a new automated internal tracking system, EDULOG, to document transportation services provided to special education students, DCPS has not developed and implemented important procedures necessary to use data from EDULOG to bill Medicaid.

RECOMMENDATION

The DCPS Superintendent and DCPS CFO should immediately develop and implement policies, procedures, and a data management system to improve and automate the transportation billing process to maximize the recovery of reimbursable transportation costs from Medicaid.

DCPS' OCFO FAILED TO TIMELY DEPOSIT \$1.5 MILLION IN REIMBURSEMENTS RECEIVED FROM MEDICAID DURING THE FIRST QUARTER OF FISCAL YEAR 2002

The DCPS OCFO and the MRU receive checks in payment of Medicaid claims submitted by the billing contractor. The DCPS OCFO's accounting department is responsible for depositing these checks. However, the Auditor found that the accounting department failed to deposit approximately \$1.5 million in Medicaid reimbursements in a timely manner because the accounting department had inadequate staff coupled with onerous workloads during the period of September 2001 through at least January 2002. In fact, some of the checks were over two months old. Table IV lists fourteen checks that had not been deposited as of January 24, 2002.

**Table IV
Checks Not Deposited
As of January 24, 2002**

Check Date	Check Number	Check Amount
11/9/01	5462841	\$ 27,450.00
11/9/01	5462842	70,590.00
11/27/01	5471467	190,534.68
11/27/01	5471468	257,122.26
11/27/01	5471469	82,228.30
11/27/01	5471477	31,500.00
11/27/01	5471478	80,106.00
12/12/01	5478314	137,304.24
12/12/01	5478315	53,026.40
12/28/01	5487518	157,854.79
12/28/01	5487519	211,280.66
12/28/01	5487520	74,293.80
12/28/01	5487527	28,170.00
12/28/01	5487528	62,010.00
Total		\$1,463,471.13

Source: DCPS

The DCPS OCFO did not provide the Auditor with written policies and procedures that govern deposits of monies received. However, a strong system of internal control requires the deposit of all monies with the District of Columbia Treasurer on a timely basis. In fact, Section 1010.606E of the District of Columbia CFO's Financial Policies and Procedures Manual requires that all receipts be deposited daily with the Office of Finance and Treasury.

The Auditor was informed that the checks were not deposited timely because the DCPS OCFO's accounting division did not have adequate staff to perform this function. The accounting division was downsized in September 2001 from nine employees to four. From September 2001 to January 2002, the primary responsibility of the four employees in the CFO's accounting division was to close the DCPS accounting records for the District of Columbia's fiscal year 2001 Comprehensive Annual Financial Report. Depositing checks was not a priority. The Auditor was provided a copy of the deposit ticket to verify that the checks were deposited on January 25, 2002.

The Auditor also noted that one additional reimbursement check in the amount of \$108,888 for claims submitted in fiscal year 2001 was not accounted for as of January 24, 2002. The check that was not accounted for was in payment of claims shown on a remittance advice dated September 15, 2001. The Auditor was informed that the check may have been mailed to a school instead of DCPS' OCFO or the MRU, and may have been misplaced. The Auditor was provided a copy of the replacement check, dated March 21, 2002, and the deposit ticket to verify that the replacement check was deposited on April 3, 2002. The Auditor was also informed that DCPS' OCFO has notified the District of Columbia's Office of Finance and Treasury to mail all future checks directly to the DCPS OCFO' address.

RECOMMENDATIONS

1. The DCPS OCFO should establish and implement policies and procedures that ensure timely deposits of all monies received to safeguard the funds.
2. The District of Columbia OCFO, in connection with the DCPS OCFO, should establish a lockbox to receive Medicaid reimbursement checks.
3. The DCPS CFO should take the necessary measures to ensure that the District of Columbia's Office of Finance and Treasury voids Medicaid reimbursement checks that DCPS does not receive within 60 days after the date of the remittance advice, and issue replacement checks to DCPS within a timely manner.

CONCLUSION

The DCPS OCFO's Medicaid Recovery Unit (MRU) was established to maximize the recovery of the Medicaid reimbursable cost of providing health related services to students in special education programs within the D.C. Public School system. The Auditor found that the MRU did not properly and effectively manage the Medicaid recovery operations for D.C. Public Schools

because of the lack of sustained leadership and inadequate staff and other resources. Overall, the Auditor found that the operations of the MRU were adversely affected by ineffective management and constant turnover of leadership in the DCPS CFO and Deputy CFO positions, a reduction-in-force, staff terminations, resignations of numerous DCPS OCFO staff, and a lack of effective management direction and resources provided by DCPS. During the audit period, an ineffective MRU operation resulted in poor oversight and performance of DCPS' Medicaid recovery efforts (also known as revenue maximization efforts).

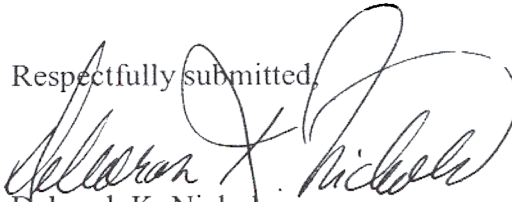
As a consequence, DCPS accumulated at least \$6.6 million in unresolved denied claims from inception of the billing contract in fiscal year 1999 through February 15, 2002. The Auditor's test of denied claims revealed that approximately 18% of the 99,000 claims could have been easily resolved and reimbursements received if the MRU had periodically performed claim reconciliations. Some claims denied on the basis that the students were ineligible for Medicaid on the dates of service were, in fact, reimbursable because the Auditor found that the students were eligible at the time. Further, some claims were denied because the spelling of students' names on the claims did not exactly match the spelling in the Medicaid eligibility file. Information in the Department of Human Services' Automated Client Eligibility Determination System confirmed that these students were Medicaid eligible, and the claims could have been paid if the spelling of the students' names had been corrected and the claims resubmitted to Medicaid.

Further, DCPS may have at least an additional \$5 million in unrealized Medicaid revenue for the period October 2000 through February 2002, due to the failure of the MRU to fully achieve its goals and effectively implement policies and processes to efficiently obtain Medicaid reimbursement. Further, the Auditor found that revenue realized from Medicaid was \$4.3 million less in the first quarter of fiscal year 2002 than during the same quarter of fiscal year 2001. This was due, in part, to the failure of the MRU to effectively implement policies and processes regarding Medicaid reimbursement of costs for transporting students to receive health related services.

Additionally, the Auditor found inadequate documentation in schools' special education records to support health related services provided to students and billed to Medicaid for reimbursement. Moreover, the DCPS administration, including the Office of Special Education and DCPS' Chief Financial Officer, failed to communicate to school principals and staff the importance of their duties and responsibilities to DCPS' Medicaid revenue maximization efforts. These managers also failed to establish a system of accountability at the school level to address school-based functions that support Medicaid revenue maximization efforts.

The Auditor found that adequate documentation of services rendered to special education students was not present in some students files. A test of the adequacy of school records documenting services rendered to special education students revealed that: (1) 22 % of students' files did not contain Individualized Education Programs that prescribed the services indicated on denied claims; (2) 13 % of the students' files did not contain progress notes to justify the services billed on the claims; and (3) some schools maintained the documentation in a haphazard, incomprehensible, and oftentimes incomplete manner. Recordkeeping deficiencies, regardless of their causes, have a substantial financial impact on DCPS through the loss of Medicaid reimbursements as indicated in the Medicaid audits for fiscal years 1996 through 1998. These audits, which were finalized in fiscal year 2001, revealed that \$15 million of costs incurred for services rendered to special education students were disallowed for Medicaid reimbursement due to the absence or unavailability of supporting documentation. These disallowed costs contributed to DCPS' deficit for fiscal year 2001. If documentation of services and recordkeeping are not immediately improved, these deficiencies will continue to have an adverse impact upon DCPS' finances in future years.

Finally, the Auditor found that DCPS' OCFO staffing, internal controls and procedures were inadequate to provide the timely deposit of \$1.5 million of Medicaid revenue during the first quarter of fiscal year 2002.

Respectfully submitted,

Deborah K. Nichols
District of Columbia Auditor

APPENDICES

Memorandum



Government of the District of Columbia

DCPS

Department: Health
Agency, Office: MAA

Chief, Program Operations

Date: February 23, 2000

From:

Health Systems Specialist

Subject: Authorized Procedure Codes for DCPS

The following procedures codes were developed for usage by DCPS, specifically:

• SCREENINGS

	<u>Description</u>	<u>Amount</u>
99420 PS	Interperiodic Screening	\$100.00
99421 PS	Interperiodic Screening Subsequent	\$ 50.00

• EVALUATIONS

*92506 PS	Speech Pathology Evaluation	\$ 90.00
*H5300 Y5	Occupational Therapy Evaluation	\$ 90.00
*97110 Y6	Physical Therapy Evaluation	\$ 90.00
*90841 PS	Psychological Comprehensive Evaluation	\$240.00
*M0600 PS	Clinical Psychological Evaluation	\$240.00
96117 PS	Neuropsychological w/ I+R Evaluation	\$180.00
*99205 PS	Psychiatric Evaluation	\$300.00
99215 PS	Psychiatric Evaluation follow-up	\$150.00
*H5030 PS	Social Work Evaluation	\$105.15
*Y2506 Y9	Audiology Evaluation	\$ 60.00

* PA required

• **COMPREHENSIVE INDIVIDUALIZED EDUCATION PLANS**

<u>Code</u>	<u>Description</u>	<u>Amount</u>
Y39900 PS	Initial Assessment	\$1000.00
Y39901 PS	Re-evaluation Assessment	\$ 750.00

• **TREATMENT SERVICES**

<u>Code</u>	<u>Description</u>	<u>Amount</u>
Y9495 PS	Trained Health Aid	\$65.00
Y9485 PS	Therapeutic Integration Service each 15 min., maximum 1 hour	\$27.25
99245 PS	Consultation (Medical)	\$65.00
90846 PS	Family Training/Conference by Psychologist w/o pt.	\$35.00
90846 SW	Family Training/Conference by Social Worker w/o pt.	\$35.00
90846 OT	Family Training/Conference by Occupational Therapist w/o pt.	\$35.00
90846 PT	Family Training/Conference by Physical Therapist w/o pt.	\$35.00
90846 SP	Family Training/Conference by Speech Therapist w/o pt.	\$35.00
90855 PS	Individual Therapy/Counseling by Psychologist	\$40.00
90855 SW	Individual Therapy/Counseling by Social Worker	\$40.00
90855 OT	Individual Therapy/Counseling by Occupational Therapist	\$40.00
90855 PT	Individual Therapy/Counseling by Physical Therapist	\$40.00
90855 SP	Individual Therapy/Counseling by Speech Therapist	\$40.00
90857 PS	Group Therapy/Counseling by Psychologist	\$11.00
90857 SW	Group Therapy/Counseling by Social Worker	\$11.00
90857 OT	Group Therapy/Counseling by Occupational Therapist	\$11.00

90857 PT	Group Therapy/Counseling by Physical Therapist	\$11.00
90857 SP	Group Therapy/Counseling by Speech Therapist	\$11.00

CODES DELETED FOR REPORTING BY DCPS

97110 Y7	Physical Therapy, Limited
97110 Y8	Physical Therapy, Brief
97110 Y9	Physical Therapy, Screening
H5300 Y6	Occupational Therapy, Limited
H5300 Y7	Occupational Therapy, Brief
H5300 Y8	Occupational Therapy, Screening
92506 Y5	Audiology Speech Pathology Evaluation
92506 Y4	Speech Hearing Evaluation/Comprehensive
90847	Psychological Service, Family w/ pt
H5030 Y4	Social Services, Counseling
H5030 Y6	Social Services, Consultation
99080	Record Review
97530	Adaptive Physical Education, Therapy

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HUMAN SERVICES FINANCIAL CLUSTER
SHARED SERVICES CENTER



MEMORANDUM

TO:

Medicaid Unit
DC Public Schools (DCPS)

FROM:

DATE: February 8, 2000

SUBJECT: Interim Per Diem Rates - Prospect Learning Center and Taft School

The Medical Assistance Administration (MAA) has approved the following interim per diem rates for DCPS Prospect Learning Center and Taft School.

	<u>Provider Number</u>	<u>Interim Rate</u>
Prospect	0304120	\$ 78.00
Taft	0304130	\$ 90.00

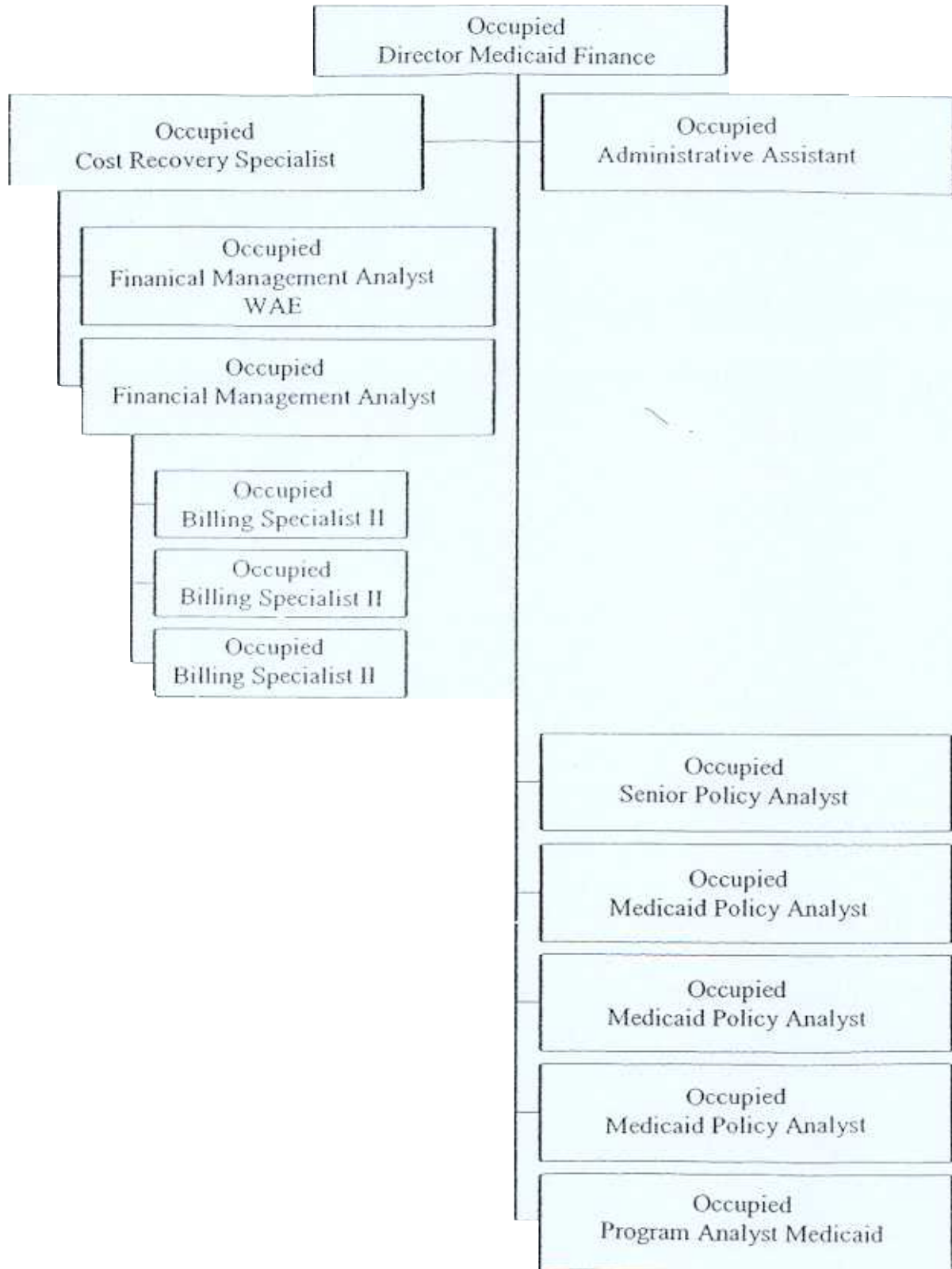
The interim rates were established based on your budget submission. The submitted rates were reduced by 10% for potential audit disallowances (which is less than the standard 12% reduction imposed on other cost-based providers), and further reduced by 30% representing the local share, as Medicaid reimburses only the federal share to public providers. Our calculations are outlined on the attached schedule.

After submission of your FY 2000 cost claim, MAA will calculate a tentative settlement. After the claim is audited, a final settlement will be issued, and our payment will be adjusted accordingly.

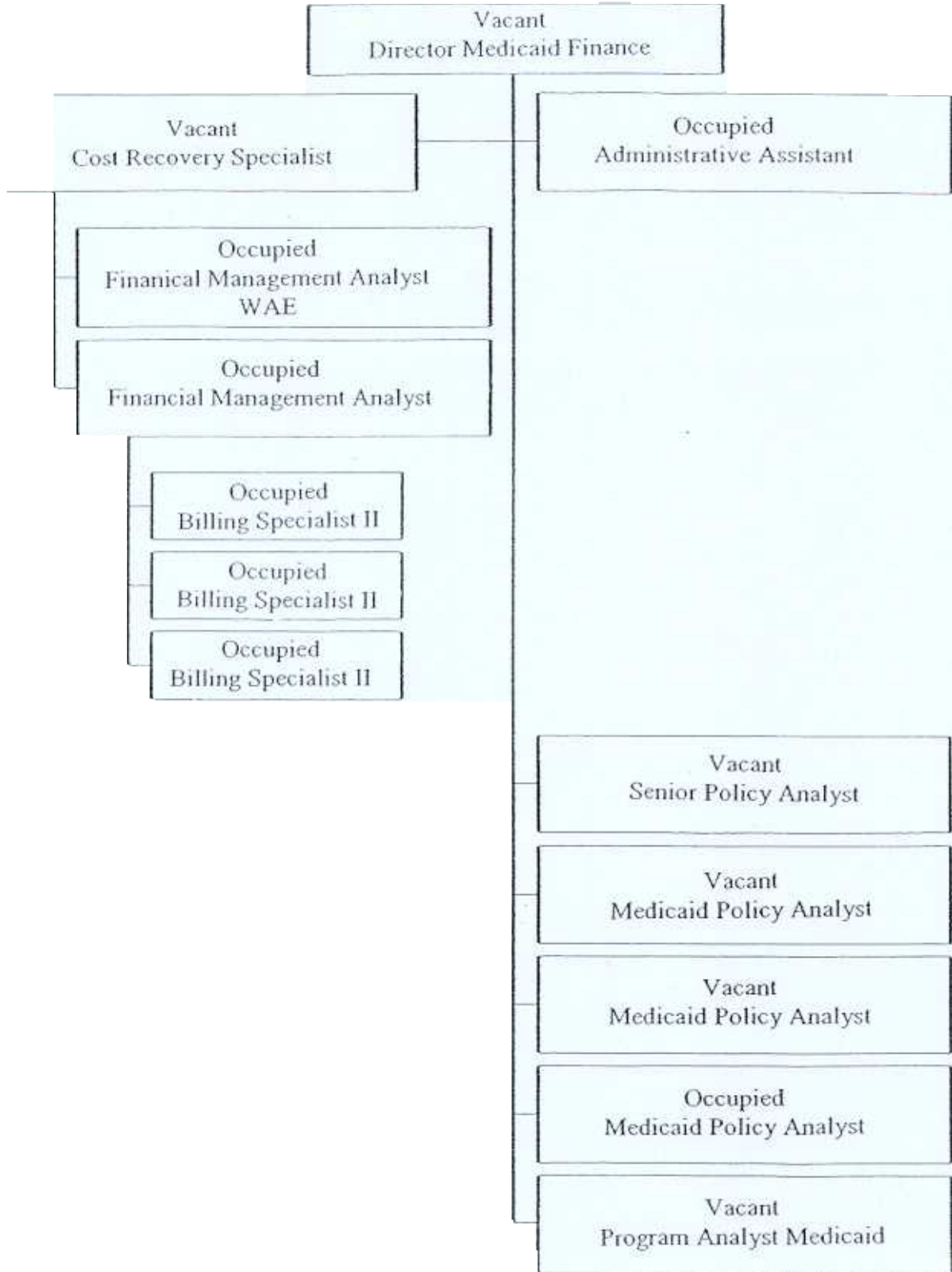
Attachment

MEDICAID UNIT

ORGANIZATION CHART as of October 2000



REVISED
MEDICAID UNIT
 ORGANIZATION CHART as of September 2001



AGENCY COMMENTS

AGENCY COMMENTS

On June 10, 2002, the Office of the District of Columbia Auditor submitted this report, in draft, for review and comment to the following agency officials: President, District of Columbia Board of Education; Chief Financial Officer, District of Columbia Public Schools; Superintendent, District of Columbia Public Schools; Assistant Superintendent, District of Columbia Public Schools; Chief Operating Officer, District of Columbia Public Schools; Chief of Staff, District of Columbia Public Schools; Senior Deputy Director, Medical Assistance Administration; City Administrator, Office of the City Administrator; Chief Financial Officer, Office of the Chief Financial Officer; and Chief of Internal Audit/Internal Security, Office of the Chief Financial Officer.

Written comments were received from the following: Chief Financial Officer, District of Columbia Public Schools; and Senior Deputy Director, Medical Assistance Administration. The other agency officials failed to respond in any manner to the draft report. Where appropriate, changes were made to the final report to reflect the comments provided by responding agencies. The written comments received by the Auditor are appended, in their entirety, as part of this report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HEALTH



JUN 24 2002

Senior Deputy Director
for Health Care Finance

Deborah K. Nichols
District of Columbia Auditor
Office of the District of Columbia Auditor
717 14th Street, NW, Suite 900
Washington, DC 20005

Dear Ms. Nichols:

On June 17, 2002, members of my staff met to discuss the findings included in the draft report entitled "Audit of D.C. Public Schools Medicaid Recovery Unit Operations" as issued by the D.C. Office of Internal Audit and Security dated June 10, 2002.

The objective of this meeting was to review these findings and comment on the recommendations included therein. While we concur with the general thrust of the report, we noted, however, certain factual inaccuracies as listed below:

CMS

The report erroneously identifies CMS as the acronym for Commission on Medical Services in the second paragraph of page 2. CMS stands for the Centers for Medicare and Medicaid Services.

Medicaid Reimbursements Are Not Based On Attendance Records

The report repeatedly referred to attendance reports as the basis for monthly billings by the schools. DCPS auditors concluded that since these records are not readily available or sometimes non-existent, DCPS was unable to maximize its Medicaid revenues. The Medicaid rules and regulations specifically require that health-related services be administered to a Medicaid eligible child before those services can be billed. In other words, Medicaid reimbursements are driven by health-related services in compliance with rules and regulation rather than by a mere attendance of a Medicaid eligible child at a public clinic school. You will find these errors on the bottom of page 6, second paragraph of page 16 and second paragraph of page 25.

Timely Processing Of Claims

Federal regulations allow DCPS up to 24 months from the date of service to bill for services to Medicaid eligible students, and not 12 months as indicated in the report in the first paragraph on page 7.

- **Medicaid Audits For Fiscal Years 1999 Through 2001 Has Not Been Completed.**

The report incorrectly states, in the first paragraph on page 22, that Medicaid audits of DCPS for fiscal years 2000 and 2001 have not been completed, implying that MAA has failed to perform its functions in a timely manner. MAA has not completed the 2000 through 2001 fiscal year audits because the cost reports have yet to be submitted by DCPS to MAA. MAA was ready to commence the fiscal year 1999 audit; however, DCPS was not ready due to the change in CFO staff and therefore, requested a delay in starting the audit. MAA had an audit entrance conference on June 3, 2002 to commence the FY '99 audit.

MAA Did Not Consistently Provide The Billing Contractor With Updated MMIS Data Files

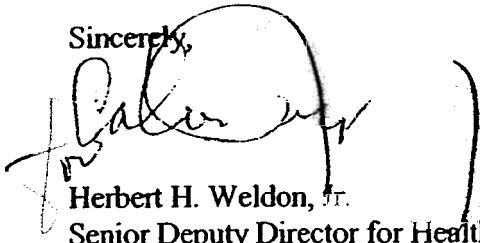
MAA will continue to have great concerns regarding sharing personal health data with anyone if they cannot insure appropriate safeguards are in place to protect the confidentiality of the personal data.

As a solution, MAA allows DCPS to submit listings of Medicaid students currently in its database. MAA will work with DCPS to develop periodic and systematic ways to crosscheck DCPS listings to Medicaid eligibility records.

We have to protect recipient confidentiality according to Federal and District rules.

We stand ready to assist DCPS in any way we can. Please contact us if you need further clarification.

Sincerely,



Herbert H. Weldon, Jr.
Senior Deputy Director for Health Care Finance

cc: Wanda Tucker, Deputy Director
Ganayswaran Nathan, Chief, Audit & Finance
Isaac Woode, Medicaid Supervisory Accountant
Heather McCabe, Chief, Office of Children & Families
Jane Young, Chief, Program Integrity
Diallo Bennett, Chief, Investigations



**DISTRICT OF COLUMBIA
PUBLIC SCHOOLS**

Office of the Chief Financial Officer

825 North Capitol Street, N.E., 7th Floor
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www.k12.dc.us

Ms. Deborah K. Nichols
District of Columbia Auditor
Office of the District of Columbia Auditor
717 14th Street, N.W.
Suite 900
Washington, D.C. 20005

9 July, 2002

Dear Ms. Nichols:

Thank you for the opportunity to personally discuss the draft report, "Audit of the D.C. Public Schools Medicaid Recovery Unit Operations", with you and your staff on 2 July, 2002. The meeting was very productive.

As I indicated, several of the fundamental and essential recommendations contained in the Report have in fact been initiated, most notably, sustained communication among the staff of the Medicaid Recovery Unit (MRU), the contractor, and the DCPS Department of Special Education. The report will serve as a blueprint for further development and implementation of procedures, as well as the enhancement of MRU day-to-day operations.

Pursuant to our discussion, I have attached a revised copy of the chart we discussed wherein I have noted several issues in the Report for possible amendment and/or augmentation.

Should you have any questions or require additional clarification, please do not hesitate to contact me.

Sincerely,

Robert A. Morales
Chief Financial Officer

C: Dr. Paul Vance, Superintendent
Louis Erste, Chief Operating Office
Joyce Clements-Smith, Interim Medicaid Director

Attachment

OCFO/DCPS

Response to "Audit of D.C. Public Schools" (Draft dated 10 June, 2002)

Page 1 of 1

Page	Para.	Line	Explanation/Correction
6	1	8	"based on an interim rate" approved by MAA
7	1	11	"processing" ... should be changed to "filing"
7	2	1	On an annual basis, reports DCPS' actual and "audited" cost of services
12	1/#1	#1	Verification of Medicaid eligibility requires constant updates from other D.C. Agencies; process can only reach maximum efficiency with regular electronic inter-agency transfer of such information.
13	2	#1	MMIS has been accessible since January 2000
16	#2	#2	School-based Administrative claims are included in the billing process through the rate for the per diem schools AND the cost-settlement report methodology. Cost settlements for 2000 and 2001 had not been prepared during the audit or submitted to MAA
16	#3	#3	Estimated Administrative claim for Medicaid Cost Recovery Unit is between \$ 475,000 - \$ 535,000. The amount reflects 50% Federal Financial Participation (FFP)
19	#9	1	Under Free and Appropriate Public education (FAPE) accommodations for health-related services have to be made without dependence on Medicaid eligibility.
23 25	3 4	5 4	The billing contractor prepares corrections and resubmissions of denied claims. It is critical however, to note that the national error in billing rate is 25% .
24	2	5	These services are billed by the billing contractor on a "HCFA 1500 " format.
THROUGHOUT			References to the use of attendance records for billing purposes must acknowledge the unique purpose and/or nature of the schools in questions relative to that of other "special education" facilities, as well as the practice of using "encounter data " information in determining the appropriateness and legitimacy of using attendance records for Medicaid claim submissions.