



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General  
Offices of Audit Services

Region VII  
601 East 12th Street  
Room 284A  
Kansas City, Missouri 64106

APR 11 2006

Report Number: A-07-05-03062

Kevin Concannon, Director  
Department of Human Services  
Hoover State Office Building, 5<sup>th</sup> Floor  
Des Moines, Iowa 50319

Dear Mr. Concannon:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General (OIG) final report entitled "Iowa Medicaid Payments for Skilled Professional Medical Personnel." A copy of this report will be forwarded to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, extension 274, or contact Greg Tambke, Audit Manager, at (573) 893-8338, extension 30 or through e-mail at [Greg.Tambke@oig.hhs.gov](mailto:Greg.Tambke@oig.hhs.gov). Please refer to the report number A-07-05-03062 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick J. Cogley".

Patrick J. Cogley  
Regional Inspector General  
for Audit Services

Enclosures

Page 2 – Mr. Kevin Concannon

**Direct Reply to HHS Action Official:**

Thomas Lenz  
Regional Administrator, Region VII  
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**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**IOWA MEDICAID PAYMENTS  
FOR SKILLED PROFESSIONAL  
MEDICAL PERSONNEL**



**Daniel R. Levinson  
Inspector General**

**APRIL 2006  
A-07-05-03062**

# *Office of Inspector General*

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## **OAS FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Title XIX of the Social Security Act, the Federal Government reimburses States for Medicaid-related administrative costs necessary for the proper and efficient administration of the Medicaid State plan. In general, the Federal Government reimburses States for Medicaid administrative costs at a matching rate of 50 percent. However, the enhanced matching rate is 75 percent for the compensation and training of skilled professional medical personnel and their supporting staff. Generally, in order for the enhanced rate to be available, skilled professional medical personnel must complete a 2-year program leading to an academic degree or certificate in a medically related program. Skilled professional medical personnel must be employees of the Medicaid agency and perform activities that require the use of their professional training and experience. Activities provided by skilled professional medical personnel must be directly related to the administration of the Medicaid program and cannot include direct medical assistance.

In Iowa, the Department of Human Services (State agency) administers the Medicaid Administrative Claiming program. The State agency contracts with the University of Iowa (University) and school districts<sup>1</sup> to provide Medicaid skilled professional medical administrative activities. The University and the school districts submit to the State a payment voucher that lists their quarterly personnel and travel costs. The State agency consolidates the payment vouchers and State personnel costs and submits the information to the Centers for Medicare & Medicaid Services (CMS) for reimbursement. The State agency claimed approximately \$2.0 million for Federal fiscal year (FY) 2003 skilled professional medical personnel administrative activities.

### **OBJECTIVE**

Our objective was to determine if the State agency properly claimed payments for skilled professional medical personnel at the enhanced Federal funding rate for FY 2003.

### **SUMMARY OF FINDINGS**

The State agency did not properly claim payments for skilled professional medical personnel at the enhanced Federal funding rate for FY 2003. Specifically, the State agency claimed costs for personnel who did not meet the employer-employee relationship requirements. The State agency also improperly claimed costs and activities included in the University's and a school district's payment vouchers.

The University included in its payment vouchers activities that (1) were related to direct medical services, (2) did not require medical knowledge or skills, or (3) were provided by personnel who did not meet the education requirements. The University included improper personnel costs and indirect costs; it also included travel costs for activities that did not support the Medicaid Administrative Claiming program.

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<sup>1</sup>The State agency contracts with lead agencies, which include school districts and county health departments.

One school district also included in its payment vouchers activities that did not require providers to have medical knowledge. In addition, the school district inaccurately included personnel costs. We believe similar situations exist at the unaudited participating school districts.

The State agency improperly claimed payments because it did not adequately monitor payment vouchers submitted by the University and school districts. It did not review supporting documentation to ensure that it only claimed Medicaid administrative activities provided by skilled professional medical personnel. Finally, the State agency did not provide the University training for skilled professional medical personnel who completed time studies during the audit period. As a result, the State agency received Medicaid enhanced funding overpayments in the amount of \$671,759 (Federal Share) for FY 2003.

## **RECOMMENDATIONS**

We recommend the State agency:

- refund \$671,759 to the Federal Government;
- ensure that direct medical services are claimed at the Federal Medical Assistance Percentage rate and not the enhanced administrative rate;
- develop and implement policies and procedures to more closely monitor payments for skilled professional medical personnel;
- provide training concerning how to properly complete the time studies to all staff of participating agencies; and
- review FY 2003 payment vouchers submitted by all participating entities to ensure that activities included comply with Federal requirements, and remit the Federal share of any overpayments to the Federal Government.

## **STATE AGENCY'S COMMENTS**

The State agency did not fully concur with most of our findings and did not concur with three of the four recommendations.

The State agency stated that it “believes that [we] reviewed activities that took place in FFY 2003 in light of the more detailed federal guidance that went into effect AFTER the audit period.”

The State agency's comments are included in their entirety as Appendixes A and B.

## **OFFICE OF INSPECTOR GENERAL'S RESPONSE**

We disagree that we “did not recognize the federal guidance in effect at the time” in conducting the audit. We used Federal regulations, OMB Circular A-87, and the 1997 Guide, which were in effect during the audit period and accessible to the State agency and the University. We commend the State agency for corrective action that it stated it would take in response to some of the findings and recommendations. However, we continue to believe that the remaining findings and recommendations are valid.



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## **INTRODUCTION**

### **BACKGROUND**

#### **Medicaid Administrative Claiming Program**

Pursuant to Title XIX of the Social Security Act, the Federal Government reimburses States for administrative costs necessary for the proper and efficient administration of the Medicaid State plan. In general, the Federal Government reimburses States for Medicaid administrative costs at a matching rate of 50 percent.

The enhanced matching rate is 75 percent for the compensation and training of skilled professional medical personnel and their supporting staff. Skilled professional medical personnel are physicians, dentists, nurses, and other specialized personnel who have completed 2 years of professional education and training in the field of medical care or appropriate medical practice. Skilled professional medical personnel must be employees of the Medicaid agency and perform activities that require the use of their professional training and experience. The activities must be directly related to the administration of the Medicaid program and cannot include direct medical assistance.

#### **Iowa Medicaid Administrative Claiming Program**

In Iowa, the Department of Human Services (State agency) administers the Medicaid Administrative Claiming program. The State agency claims Federal reimbursement for Medicaid-related administrative activities through the Iowa Medicaid Administrative Claiming program. The State agency contracts with the University of Iowa (University) and school districts<sup>2</sup> to provide Medicaid skilled professional medical administrative activities. The University and the school districts submit to the State a payment voucher that lists their quarterly personnel and travel costs. The State agency consolidates the payment vouchers and State personnel costs and submits the information to the Centers for Medicare & Medicaid Services (CMS) for reimbursement.

Federal regulations require personnel and staff costs to be allocated on either an actual percentage of time spent carrying out duties in specific areas or another approved methodology. The State agency allocates costs based on time studies. Each agency identifies the skilled professional medical personnel who complete a time study. Each agency allocates the personnel costs at the enhanced rate based on the percentage of time the employee performed allowable administrative activities.

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<sup>2</sup>The State agency contracts with lead agencies, which include school districts and county health departments.

## OBJECTIVE, SCOPE, AND METHODOLOGY

### Objective

Our objective was to determine if the State agency properly claimed payments for skilled professional medical personnel at the enhanced Federal funding rate for Federal fiscal year (FY) 2003.

### Scope

The State agency claimed approximately \$2.0 million in Federal reimbursement for skilled professional medical personnel administrative activities for FY 2003. We reviewed the State agency's claims, which included information provided by the University and school districts in their payment vouchers. We reviewed activities provided by three University departments and one school district. Table 1 illustrates how much Federal reimbursement the State agency claimed for FY 2003 and, of those amounts, how much we reviewed.

**Table 1: Amount Reviewed By Claiming Unit**

<b>Claiming Unit</b>	<b>Amount Claimed</b>	<b>Amount Reviewed</b>
State Agency	\$47,809	\$47,809
University of Iowa		
Department A	237,863	237,863
Department B	164,823	164,823
Department C	724,476	724,476
Participating School Districts (39)		
School District A	130,032	117,132
Other School Districts	681,576	0
<b>Total Claim</b>	<b>\$1,986,580</b>	<b>\$1,292,103</b>

School District A, comprised of four schools, submitted claims totaling \$130,032 for FY 2003. We reviewed the school with the largest claim, which totaled \$117,132.

We did not perform a detailed review of the State agency's internal controls. We limited our internal control review to obtaining an understanding of the State agency's policies and procedures used to claim skilled professional medical personnel costs.

We performed fieldwork at the Iowa Department of Human Services office in Des Moines, IA, three University departments, and one school district between December 2004 and May 2005.

## **Methodology**

To accomplish the audit objective, we:

- reviewed the State agency's policies and procedures concerning the Medicaid Administrative Claiming program;
- reconciled the State agency's Federal Medicaid administrative claims, which consisted of individual payment vouchers submitted by the University and school districts, to supporting documentation;
- interviewed State agency employees to better understand how they administered the Medicaid program;
- reviewed payment vouchers for the University and one school district to determine if the personnel, travel, and indirect costs were properly recorded;
- reviewed medical licensure and certification information to ensure the employees claimed as skilled professional medical personnel met Federal requirements;
- reviewed the position descriptions and time studies of employees claimed as skilled professional medical personnel to determine if activities claimed at the enhanced rate were Medicaid administrative activities; and
- interviewed skilled professional medical personnel to learn how they coded their time on the time studies and what activities they performed.

We limited our review to determining whether the State agency's claims for skilled professional medical personnel at the enhanced Federal matching rate were allowable. For costs that did not meet enhanced Federal matching requirements, we accepted the costs claimed at the Federal matching rate of 50 percent, unless they were otherwise unallowable. The staff of one University department indicated that time studies were not used to calculate the department's claim for Federal reimbursement. Therefore, we were unable to determine the percentage of time spent on activities allowable at the enhanced rate. For costs found to be specifically unallowable, we questioned the entire amount claimed because personnel costs were based on direct medical service activities rather than administrative activities.

We performed our audit in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATIONS**

The State agency did not properly claim payments for skilled professional medical personnel at the enhanced Federal funding rate for FY 2003. Specifically, the State agency claimed costs for personnel who did not meet the employer-employee relationship requirements. The State agency

also improperly claimed costs and activities included in the University's and a school district's payment vouchers.

The University included in its payment vouchers activities that (1) were related to direct medical services, (2) did not require medical knowledge or skills, or (3) were provided by personnel who did not meet the education requirements. The University included improper personnel costs and indirect costs; it also included travel costs for activities that did not support the Medicaid Administrative Claiming program.

One school district also included in its payment vouchers activities that did not require providers to have medical knowledge. In addition, the school district inaccurately included personnel costs. We believe similar situations exist at the unaudited participating school districts.

The State agency improperly claimed payments because it did not adequately monitor payment vouchers submitted by the University and school districts. It did not review supporting documentation to ensure that it only claimed Medicaid administrative activities provided by skilled professional medical personnel. Finally, the State agency did not provide the University training for skilled professional medical personnel who completed time studies during the audit period. As a result, the State agency received Medicaid enhanced funding overpayments in the amount of \$671,759 for FY 2003.

## **SKILLED PROFESSIONAL MEDICAL PERSONNEL REQUIREMENTS**

### **Federal Regulations for Skilled Professional Medical Personnel**

Federal regulations (42 CFR § 432.50 (c)(3)) state that: "The allocation of personnel and staff costs must be based on either the actual percentages of time spent carrying out duties in the specified areas or another methodology approved by CMS." Paragraph (d)(1) also states that the enhanced rate of 75 percent is available to skilled professional medical personnel and directly supporting staff if the following criteria are met:

- (i) The expenditures are for activities that are directly related to the administration of the Medicaid program, and as such do not include expenditures for medical assistance;
- (ii) The skilled professional medical personnel have professional education and training in the field of medical care or appropriate medical practice. 'Professional education and training' means the completion of a 2-year or longer program leading to an academic degree or certificate in a medically related profession . . . .
- (iii) The skilled professional medical personnel are in positions that have duties and responsibilities that require those professional medical knowledge and skills.
- (iv) A State-documented employer-employee relationship exists between the Medicaid agency and the skilled professional medical personnel and directly supporting staff. .

## **CMS Requirements Concerning Direct Medical Service Activities**

CMS's 1997 Medicaid and School Health: A Technical Assistance Guide (Guide) states that: "Expenses cannot be claimed as administration if they are an integral part or extension of a direct medical or remedial service, such as patient follow-up, patient assessment, patient education, counseling, development of the medical portion of an [Individualized Education Plan] or [Individualized Family Service Plan], or other physician extender activities." The Guide further states that: "Payments for allowable administrative activities must not duplicate payments that have been or should have been included and paid as part of a rate for services, part of a capitation rate, or through some other state or Federal program." The State needs to provide and maintain appropriate documentation and assurance that claims to CMS for administrative activities are not duplicative of other claims or payments.

## **Federal Cost Principles – Disallowing Personnel Costs Associated With Another Federal Grant**

Office of Management and Budget (OMB) Circular A-87, Attachment A, part C(1)(a), states that costs "must be necessary and reasonable for proper and efficient performance and administration of Federal awards" and part C(1)(j) states that costs must be adequately documented. It further states in part C(3)(c) that: "Any cost allocable to a particular Federal award or cost objective under the principles provided for in the Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons."

## **Federal Regulations Concerning Reimbursement for Training, Travel, and Indirect Costs**

Federal regulations (42 CFR § 433.15(b)(5)) state that the Federal Government will pay States for 75 percent of the costs of "compensation and training of skilled professional medical personnel and staff directly supporting those personnel if the criteria specified in 42 CFR § 432.50(c) and (d) are met." Further, 42 CFR § 433.15(b)(7) states that the Federal Government will pay 50 percent of the costs of "all other activities the Secretary finds necessary for proper and efficient administration of the State plan."

## **UNALLOWABLE CLAIMS AT THE STATE AGENCY**

The State agency claimed personnel costs for one person who did not have an employer-employee relationship with the agency pursuant to 42 CFR § 432.50(d)(1)(iv). An employment agency hired and financially compensated the skilled professional medical employee. The State agency paid the employment agency a fee as part of the leasing arrangement. Although the individual worked at the State agency, the individual was not an employee of the State agency.

## **UNALLOWABLE ACTIVITIES INCLUDED BY THE UNIVERSITY OF IOWA**

### **Direct Medical Services**

Contrary to 42 CFR § 432.50(d)(1)(i) and the Guide, the University included in its payment vouchers activities that were an integral part of or related to a direct medical service.

For activities performed in FY 2003, a majority of the skilled professional medical personnel we interviewed at the University stated that they used a skilled professional medical personnel code for administrative activities directly related to a service, such as updating the patient chart, writing a report concerning the service, or other pre- and post-visit patient activities instead of a code for direct medical services. These activities are an extension of the medical service and as such are unallowable per Federal requirements. Supporting documentation provided by the University also indicated that the activities were not administrative.

In October 2003, the University updated the time study forms used to allocate the skilled professional medical personnel's time. As a result, the majority of the skilled professional medical personnel we interviewed stated that they no longer used a skilled professional medical personnel code for most administrative activities directly related to a service. These administrative activities directly related to a service fall under the "direct medical services" code in the University's new coding guidance.

### **Medical Knowledge and Skills**

Contrary to 42 CFR § 432.50(d)(1)(iii), the University included in its payment vouchers activities that did not require providers to have medical knowledge or skills. The time studies reviewed for one University department revealed that 63 percent of time coded was for either non-claimable or non-skilled professional medical personnel activities. In fact, 39 percent of the time coded by the department's skilled professional medical personnel was for non-claimable activities.

In addition, skilled professional medical personnel performed activities that lesser qualified individuals also performed as part of their job duties. For example, skilled professional medical personnel reviewed and helped complete medical assessment forms, attended care conferences, and provided information about services available in the community.

### **Education Requirements**

The University claimed 24 employees who did not meet the 2-year education requirements pursuant to 42 CFR § 432.50(d)(1)(ii)<sup>3</sup>. For example, a therapeutic recreational assistant, who had a degree in art and anthropology, received medical training on the job. Another employee had a bachelor's degree in psychology; Department Appeals Board Decision Number 1033,

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<sup>3</sup>Because we disallowed the entire payment voucher for FY 2003 for two University departments, we did not quantify the impact of individual errors.



dated April 1989, stated that a person with a bachelor's in psychology does not meet the professional education and training requirement.

In addition, one University department included as skilled professional medical personnel 22 parent consultants who did not meet the 2-year education requirements. The job description for the parent consultant position did not include a requirement for a degree or certification in a medically related program. Qualifications of interviewed parent consultants were limited to either a high school diploma or education in a field unrelated to the parent consultant position.

### **Improper Costs Included in Payment Vouchers**

The University included improper personnel costs and indirect costs in its payment vouchers; it also included travel costs for activities that did not support the Medicaid Administrative Claiming program.

Two University departments inaccurately included personnel costs in the payment vouchers. In 62 instances, 1 department incorrectly included salary and fringe benefits for employees who were partially funded by another University department or Federal program. Supporting documentation did not offset the portion paid by other departments or Federal programs. According to OMB Circular A-87, any cost allocable to a particular Federal grant may not be charged to other Federal grants. Contrary to 42 CFR § 432.50(c)(1)(3), the second department used an unapproved methodology to determine the salaries for directly supporting staff rather than have them complete time studies.

Two University departments included indirect costs at the enhanced Federal funding rate, which was unallowable pursuant to 42 CFR § 433.15(b)(5).

One University department included travel costs for activities that did not support the Medicaid Administrative Claiming program. Therefore, the enhanced portion of the travel expenditures related to the unallowable participants and activities is unallowable. In addition, the department also claimed questionable travel expenses for such items as travel to individualized education planning meetings and travel vouchers for individuals whose personnel costs were not included in the department's claim.

## **UNALLOWABLE ACTIVITIES INCLUDED BY ONE SCHOOL DISTRICT**

### **Activities Did Not Require Medical Knowledge**

School district A included activities that did not require providers to have medical knowledge or skills. For example, on one time study, an employee used a skilled professional medical personnel code to indicate when she or he discussed schedules and homework plans with a parent when the child was absent.

We did not quantify the effect of unallowable activities. However, we believe the same type of errors occurred at the participating school districts we did not audit.

## **Inaccurately Completed Payment Vouchers**

School district A inaccurately included personnel costs in the payment vouchers. The school district included personnel costs for employees who did not complete time studies and for an employee who was missing a time study.

### **SUMMARY**

The State agency did not properly claim payments for skilled professional medical personnel at the enhanced Federal funding rate for FY 2003. Specifically, the State agency claimed costs for personnel who did not meet the employer-employee relationship requirements. The State agency also improperly claimed costs and activities included in the University's and school district's payment vouchers.

The University included in its payment vouchers activities that (1) were related to direct medical services, (2) did not require medical knowledge or skills, or (3) were provided by personnel who did not meet the education requirements. The University included improper personnel costs and indirect costs; it also included travel costs for activities that did not support the Medicaid Administrative Claiming program.

One school district also included in its payment vouchers activities that did not require providers to have medical knowledge. In addition, the school district inaccurately included personnel costs.

### **STATE AGENCY DID NOT ADEQUATELY MONITOR MEDICAID ADMINISTRATIVE CLAIMS**

The State agency did not have sufficient policies and procedures to adequately monitor payment vouchers submitted by participants for the Medicaid Administrative Claiming program. The State agency did not review supporting documentation to ensure that only Medicaid administrative activities were claimed. Finally, the State agency did not provide the University training for skilled professional medical personnel who completed time studies during the audit period.

Additionally, the time studies did not provide adequate support for the time allocated to the enhanced administrative activities because the State did not require participants to include a narrative explanation of the activity performed.

### **EFFECT OF UNALLOWABLE CLAIMS PAID AT THE ENHANCED RATE**

Because the State agency did not properly claim payments for skilled professional medical personnel at enhanced Federal funding rates, it received \$671,759 (Federal share) in overpayments for FY 2003 (see Table 2). We believe similar situations exist at the unaudited participating entities.

**Table 2: FY 2003 Unallowable Activities**

<b>Claiming Unit</b>	<b>Amount of Unallowable Activity</b>	<b>Reason for Disallowance</b>
State Agency	\$15,937	Employee did not meet the employer-employee relationship
University of Iowa	355,100	Claimed medical services
University of Iowa	236,459	Claimed non-qualified staff and activities that did not require medical expertise
University of Iowa	47,586	Claimed indirect costs at the enhanced rate
University of Iowa	5,034	Improperly claimed travel costs
School District A	11,643	Improperly claimed personnel costs
<b>Total Disallowance</b>	<b>\$671,759</b>	

**RECOMMENDATIONS**

We recommend the State agency:

- refund \$671,759 to the Federal Government;
- ensure that direct medical services are claimed at the Federal Medical Assistance Percentage rate and not the enhanced administrative rate;
- develop and implement policies and procedures to more closely monitor payments for skilled professional medical personnel;
- provide training concerning how to properly complete the time studies to all participating agencies; and
- review FY 2003 payment vouchers submitted by all participating entities to ensure that activities included comply with Federal requirements, and remit the Federal share of any overpayments to the Federal Government.

**STATE AGENCY’S COMMENTS**

The State agency did not fully concur with most of our findings and did not concur with three of the four recommendations.

The State agency stated that it “believes that [we] reviewed activities that took place in FFY 2003 in light of the more detailed federal guidance that went into effect AFTER the audit period.” The State agency believes that we “did not recognize the federal guidance in effect at the time, but rather relied upon the October 1, 2003 guidance,” particularly for two findings. It quoted our draft report as stating that the State agency “was in violation of federal regulations

because ‘it did not require time study participants to include a narrative explanation of the activity performed.’”

The State agency’s comments are included in their entirety as Appendixes A and B.

## **OFFICE OF INSPECTOR GENERAL’S RESPONSE**

We disagree that we “did not recognize the federal guidance in effect at the time” in conducting the audit. We used Federal regulations, OMB Circular A-87, and the 1997 Guide, which were in effect during the audit period and accessible to the State agency and the University. We did not use the 2003 CMS Administrative Claiming Guide because it was not in effect during the audit period.

The State agency misquoted the audit report when it stated that the State agency “was in violation of federal regulations because ‘it did not require time study participants to include a narrative explanation of the activity performed.’” The audit report states that: “the time studies did not provide adequate support for the time allocated to the enhanced administrative activities because the State did not require participants to include a narrative explanation of the activity performed.” The statement refers to the lack of documentation supporting the activity performed.

According to OMB Circular A-87, Attachment A, part C(1)(j), costs must be adequately documented. Furthermore, the contract between the State agency and the University states that the University agreed to: “Ensure that the appropriate documentation for expenditures and audit trail exist by retaining all appropriate records and documents for five years after the claim revision . . . .” The University was unable to provide documentation to support the activities selected on the time studies; University personnel tried to create documentation based on the selected time study code and the medical record of the person who was seen during the time period in question. We suggested that the State agency have the time study participants provide a narrative description of the activity performed, but we did not require this type of support or recommend that the State agency take any action.

## **UNALLOWABLE CLAIMS AT THE STATE AGENCY**

### **State Agency’s Comments**

The State agency agreed in part with the finding, but disagreed with the disallowance amount. The State agency acknowledged that it claimed personnel costs for one person who did not have an employer-employee relationship with the agency. It stated that the person was not a State employee and that it should not have claimed the personnel costs at the enhanced rate. However, the State agency believes the personnel costs are allowable at the 50-percent rate.

## **Office of Inspector General's Response**

We agree that the personnel costs are allowable at the 50-percent rate. We adjusted the recommended recovery amount to \$671,759 to reflect the adjusted disallowance for the pharmacist of \$15,937.

## **UNALLOWABLE ACTIVITIES INCLUDED BY THE UNIVERSITY**

### **Direct Medical Services**

#### *State Agency's Comments*

The State agency disagreed with the finding and disallowance amount. The State agency stated that Federal regulations and guidance regarding direct medical services were less clear during the audit period. For example, the State indicated that the 1997 Guide gave States more flexibility to determine what services may be properly claimed as administrative and what activities can be billed as either medical services or administrative. The State agency also stated that: "the population served should be taken into account in determining whether activities were or were not direct medical care." In addition, the State agency stated that we "denied the entire amount claimed, even though [we] acknowledged that some activities were correctly coded."

The State agency asserted that the disallowance for skilled professional medical personnel costs associated with direct medical services should be eliminated or reduced. It requested, "at a minimum, [that] the amount of the disallowance should be reduced to more appropriately reflect the findings of the auditors that not all of the claims were inappropriately coded."

#### *Office of Inspector General's Response*

We continue to believe that the activities performed by skilled professional medical personnel at two University departments (the Centers for Disabilities and Development and the Department of Pediatrics) were related to direct medical services. The administrative claiming portion of the Guide states that: "Expenses cannot be claimed as administration if they are an integral part or extension of a direct medical or remedial service, such as patient follow-up, patient assessment, patient education, counseling, development of the medical portion of an [Individual Education Program] or [Individualized Family Service Plan], or other physician extender activities. Such services are properly paid for as part of the payment made for the medical or remedial services."

Therefore, any activity resulting from a visit with a skilled medical professional was an integral part of a direct medical service that was paid as part of the medical service.

In discussions with CMS, it agreed that activities performed by the two University departments constituted direct medical care. Furthermore, the contract between the State agency and the University expressly stated that: "There will be no claiming for a service that is covered under Medicaid and the coordination shall not be construed as targeted case management or other Medicaid Case Management." In a memo between a University department manager and Medicaid administrative claiming participants, the manager stated that the State agency approved its participation in the program and the department would "continue to have the opportunity to

leverage additional Medicaid funds that are vital to our mission.”

In response to the State agency’s assertion, we did not acknowledge that two University departments correctly coded some activities. Based on interviews with skilled professional medical personnel and the limited documentation provided by the University, we concluded that the activities performed by the two departments were either direct medical services or extensions of direct medical services. We commend the Department of Pediatrics for recognizing that activities performed by skilled professional medical personnel do not qualify for Medicaid administrative claiming and for deciding to no longer participate in the program.

We continue to recommend that the State agency refund the \$355,100 associated with the direct medical services.

### **Medical Knowledge and Skills**

#### *State Agency’s Comments*

The State agency disagreed with the finding and disallowance amount. The State agency contested our interpretation that University providers did not need to have medical knowledge or skills to provide the types of services that were allowable under the Federal guidance in effect during the audit period. The State agency stated that the University provided more effective case management for the special population served because its staff had specific medical knowledge of the severe and complex chronic medical conditions. It also stated that: “The state was not purchasing direct care services.”

#### *Office of Inspector General’s Response*

We did not disallow the enhanced portion because we considered the activities performed to be direct care services. We disallowed the enhanced portion of the claim because most activities performed by personnel did not require their medical knowledge and skills. Federal regulations (42 CFR § 432.50(d)(1)(iii)) state that the enhanced rate is available if: “The skilled professional medical personnel are in positions that have duties and responsibilities that require those professional medical knowledge and skills.” In one University department (Child Health Specialty Clinics), skilled medical professionals performed non-claimable activities 39 percent of the time. The department considered all of its clients to be Medicaid eligible; therefore, it did not allocate the staff’s time based on activity. As a result, we could not determine what portion of the employees’ time was spent on allowable activities. However, based on staff interviews, we determined that some of the staff’s time could have been spent on claimable administrative activities; therefore, we only disallowed the enhanced portion of the claim.

In addition, 22 parent consultants, who were not skilled medical professionals, performed the same activities that the skilled professional medical personnel performed. Therefore, we continue to (1) believe that the skilled professionals did not need their medical knowledge and (2) recommend that the State agency refund the \$236,459 associated with activities that did not require medical knowledge and skills.

## **Education Requirements**

### *State Agency's Comments*

The State agency agreed, at least in part, with the finding but disagreed with the disallowance amount. The State agency concurred that it claimed employees who did not meet the 2-year education requirements. However, it believes that the activities the employees performed are allowable at the 50-percent rate.

### *Office of Inspector General's Response*

The personnel costs for 22 parent consultants may be allowable at the 50-percent rate; therefore, we only disallowed 25 percent of the personnel costs because the activities performed did not require medical knowledge and skills.

However, the other two employees' personnel costs are unallowable because (1) the employees did not meet the education requirements pursuant to 42 CFR § 432.50(d)(1)(ii) and (2) they described direct medical service activities during their interviews. In addition, the University did not provide any documentation to show that the activities the employees performed were allowable pursuant to Federal regulations. We included the finding in the report to alert the State agency that some participating entities may be claiming personnel costs for employees who do not meet the education requirements.

## **Improper Costs Included in Payment Vouchers**

### *State Agency's Comments*

The State agency agreed, at least in part, with the finding but disagreed with the disallowance amount. The State agency acknowledged that another Federal program funded some personnel costs charged against the Medicaid Administrative Claiming program. However, the State agency stated that the portions of personnel costs paid by the Centers for Disabilities and Development and the Department of Pediatrics were not funded by another source and are eligible for enhanced Federal reimbursement.

The State agency stated that it understood that skilled professional medical personnel must supervise directly supporting staff. However, the State agency stated that it received approval to allocate applicable clerical time based on the skilled professional medical personnel's activities and that it should be allowed to claim personnel costs for the directly supporting staff.

The State agency concurred that indirect costs are not claimable at the enhanced rate. However, it believes that all indirect costs associated with the enhanced portion of the claim should be reimbursed at the 50-percent rate.

The State agency also agreed that most of the travel expenses should be disallowed. However, it disagreed with our conclusion on four travel claims and requested that we reduce the disallowance amount.

### *Office of Inspector General's Response*

The portion of improper personnel costs the State is questioning relates to the revenue offsets that should have occurred between the Department of Pediatrics and the Child Health Specialty Clinics, which is part of the department. Some personnel worked for both entities but the Department of Pediatrics paid their salaries. However, both Child Health Specialty Clinics and the Department of Pediatrics claimed the personnel costs. OMB Circular A-87, Attachment A, part C(3)(c), states that: "Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons." Therefore, we continue to believe that the personnel costs claimed by Child Health Specialty Clinics but paid by Department of Pediatrics should be offset.

Neither the State agency nor the University provided supporting documentation, either during our fieldwork or during the exit conference when all the issues were discussed, to show the University received CMS approval to allocate directly supporting staff's time based on the activities of skilled professional medical personnel. Therefore, we continue to believe that the enhanced portion of the directly supporting staff personnel costs should be disallowed.<sup>4</sup>

We agree that indirect costs are eligible for Federal reimbursement at the 50-percent rate. However, none of the indirect costs claimed by the State agency are allowable because the two University departments' (the Centers for Disabilities and Development and the Department of Pediatrics) claims are unallowable for Federal reimbursement. Therefore, we continue to recommend that the State agency refund the \$47,586 associated with the indirect costs.

We did not question or disallow any travel costs in relation to individuals whose personnel costs were not included in the University's claim. We included the travel costs in the report as a precaution for future claims. However, we did disallow the enhanced portion of claimed travel costs for skilled professional medical personnel at Child Health Specialty Clinics. The State agency did not comment on the portion of the findings related to the Child Health Specialty Clinics travel costs. We continue to recommend that the State agency refund the \$5,034 associated with the skilled professional medical personnel's claimed travel costs.

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<sup>4</sup>We disallowed all the directly supporting staff personnel costs because the skilled professional medical personnel performed direct medical services, which are unallowable under the Medicaid Administrative Claiming program. We included the finding in the report to alert the State agency that some participating entities may be improperly claiming personnel costs.



## **UNALLOWABLE ACTIVITIES INCLUDED BY ONE SCHOOL DISTRICT**

### **Activities Did Not Require Medical Knowledge**

#### *State Agency's Comments*

The State agency did not contest the finding and concurred with the disallowance amount. The State agency stated that changes in certain codes led to confusion that resulted in inconsistencies in coding practices. It stated that the program methodology had been changed since our audit to eliminate many of the coding irregularities cited in the audit report.

#### *Office of Inspector General's Response*

We commend the State for taking action to eliminate coding irregularities.

### **Inaccurately Completed Payment Vouchers**

#### *State Agency's Comments*

The State agency did not contest the finding and concurred with the disallowance amount. The State agency agreed that the school district inappropriately included personnel costs for three employees in the payment vouchers. It also concurred that a fourth employee's personnel costs should not have been included.

#### *Office of Inspector General's Response*

We commend the State agency for acknowledging errors identified at the school district

## **STATE AGENCY DID NOT ADEQUATELY MONITOR MEDICAID ADMINISTRATIVE CLAIMS**

### **Agency Did Not Have Sufficient Policies and Procedures**

#### *State Agency's Comments*

The State agency did not concur that it had insufficient policies and procedures to monitor payment vouchers. It believes that the Federal regulations provided adequate guidance to monitor the costs claimed.

#### *Office of Inspector General's Response*

Federal regulations and guidance only provide the requirements for the Medicaid administrative claiming program; they do not instruct State agencies how to monitor the program. Therefore, we continue to believe that the State agency should develop sufficient policies and procedures to monitor participants' payment vouchers.

### **Agency Did Not Review Supporting Documentation**

### *State Agency's Comments*

The State agency did not concur that it did not review supporting documentation. The State agency stated that Medicaid administrative claiming personnel reviewed all claims processed during the audit period for mathematical accuracy and the appropriateness of the types and amount of costs being claimed. The reviewer requested additional documentation if she questioned the costs. The State agency also stated that it conducted onsite financial reviews to review documentation, and as a result, it did not process several claims until identified problems had been satisfactorily resolved.

The State agency recognized the importance of conducting financial reviews and subsequent to State fiscal year 2003; it implemented a performance target to review each Medicaid Administrative Claiming program participant at least biannually.

### *Office of Inspector General's Response*

The Medicaid administrative claiming reviewer told us that there were no State policies and procedures for monitoring the program. She explained her process for performing desk reviews of the claims. While we agree that desk reviews are a good first step in identifying potential problems with claims, they are not enough to identify the actual problems. We commend the State agency for recognizing the importance of conducting financial reviews and implementing a performance target to review each program participant.

The Medicaid administrative claiming reviewer informed us that the State agency had not performed any onsite financial reviews of the Medicaid administrative claims for the University or the school district during the audit period. CMS performed the only onsite financial review of the University's claims. We are aware that the State agency held some of the University's claims, but those claims were submitted after our audit period.

Based on the errors identified and the potential for other types of errors, we continue to recommend that the State agency develop and implement procedures to more closely monitor payments for skilled professional personnel.

### **Agency Did Not Provide Training**

#### *State Agency's Comments*

The State agency did not concur that it did not provide training. The State agency stated that it, in conjunction with the Iowa Department of Public Health, provided train-the-trainer training to a select group of University employees participating in the Medicaid Administrative Claiming program. The State agency stated that the training was provided at least annually and was supported by technical assistance group sessions. The annual training sessions also covered the requirements for skilled professional medical personnel as well as clarification of Medicaid administrative claiming services and direct medical services. In the future, the State agency stated it will identify problems encountered by the University personnel participating in the

program and design a training program to address the problem areas as well as an overview of the program requirements. The State agency also stated it will conduct onsite reviews to test the accuracy of time coding, including the proper use of the skilled professional medical personnel designation.

#### *Office of Inspector General's Response*

University personnel for two departments stated that no one from the State agency conducted onsite training for the Medicaid Administrative Claiming program during our audit period. The University personnel also stated that the State agency sent training updates through correspondence instead of in person. In its response, the State agency stated that it held two meetings with the University in the spring of 2004 and conducted onsite training in May 2005. The meetings and training sessions were held after the audit period.

The lack of onsite training is further demonstrated by the conflicting training materials drafted by the State agency and the University. For example, the State agency's training materials state that administrative activity for services provided by the agency/school district under Medicaid must be coded as direct care. Examples include services within Individualized Education Plans under Medicaid (including service coordination). The University's training materials state that claimable skilled medical professional activities include: ". . . [Individualized Family Service Plan] or [Individualized Education Plan], etc. care conferences," patient-specific pre- and post-visit activities, and reviewing medical records for upcoming visits. The aforementioned activities are direct medical care; therefore, they are unallowable under the Medicaid Administrative Claiming program. If the State agency had conducted onsite training and reviews, it may have identified the errors in the training materials the University provided to its Medicaid administrative claiming participants.

We continue to recommend that the State agency provide onsite training concerning how to properly complete the time studies to all participating agencies.

### **RECOMMENDATION TO PROPERLY CLAIM DIRECT MEDICAL SERVICES**

#### **State Agency's Comments**

The State agency did not concur that it is necessary for the State to ensure that direct medical services are claimed at the Federal Medical Assistance Percentage rate and not at the enhanced administrative rate. The State agency believes that Federal guidance in effect during the audit period provided it with flexibility in claiming services as either medical or administrative.

### **Office of Inspector General's Response**

We continue to believe that the State agency claimed skilled professional medical personnel (at the Centers for Disabilities and Development and Department of Pediatrics) who performed activities related to direct medical services. Therefore, we continue to recommend that the State agency ensure that it claims direct medical services at the Federal Medical Assistance percentage rate and not at the enhanced administrative rate.

### **RECOMMENDATION TO IMPLEMENT POLICIES AND PROCEDURES**

#### **State Agency's Comments**

The State agency did not concur that it should develop and implement policies and procedures to more closely monitor payments for skilled professional medical personnel. The State agency stated that Federal regulations and guidance provide sufficient policy and procedural guidance for monitoring payment vouchers submitted by participants.

### **Office of Inspector General's Response**

Federal regulations and guidance only provide the requirements for the Medicaid administrative claiming program; they do not instruct State agencies how to monitor the program. Therefore, we continue to believe that the State agency should develop sufficient policies and procedures.

### **RECOMMENDATION TO PROVIDE TRAINING**

#### **State Agency's Comments**

The State agency stated that it "has and will continue to provide training concerning how to properly complete the time studies to all participating agencies."

### **Office of Inspector General's Response**

We continue to recommend that the State agency provide onsite training to all participating agencies on how to properly complete the time studies.

### **RECOMMENDATION TO REVIEW FISCAL YEAR 2003 PAYMENT VOUCHERS**

#### **State Agency's Comments**

The State agency stated that it will work with CMS on any corrective action related to the review of all FY 2003 payment vouchers submitted by participating entities.

## **Office of Inspector General's Response**

We commend the State agency on its willingness to review the FY 2003 payment vouchers submitted by all participating entities to ensure compliance with Federal requirements and to work with CMS on corrective action.

### **OTHER MATTERS**

#### **The University Incorrectly Administered the Program During Fiscal Year 2002**

Although we did not review FY 2002 claims and payment vouchers, University officials stated that they administered the Medicaid Administrative Claiming program in the same manner as they did during the FY 2003 audit period. University officials stated that they did not know that Federal regulations prohibited the University from claiming expenses as administrative costs if the expenses were an integral part or extension of a direct medical or remedial service. The University received \$773,438 (Federal share) for the questioned activities in FY 2002.

The officials changed the time study coding in October 2003 to reflect the requirements in the CMS Medicaid Administrative Claiming Guide. As previously mentioned, most of the personnel interviewed stated that they no longer used a skilled professional medical personnel code for most administrative activities directly related to a service. These activities fall under the direct medical services code in the University's new coding guidance.

# **APPENDIXES**



## STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR  
SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES  
KEVIN W. CONCANNON, DIRECTOR

DEC 22 2005

Patrick J. Cogley  
Regional Inspector General for Audit Services  
DHHS-Office of Inspector General  
Office of Audit Services - Region VII  
Room 284A  
601 East 12th Street  
Kansas City, Missouri 64016

RE: OIG Audit Number: A-07-05-03062

Dear Mr. Cogley:

This is in response to a draft report dated October 27, 2005, concerning the Office of Inspector General's (OIG) audit of Iowa's claim for federal financial participation (FFP) under title XIX for Skilled Professional Medical Personnel. The Iowa Department of Human Services (DHS) is the state Medicaid agency.

We appreciate that your office granted DHS a 30-day extension, until December 26, 2005, to respond to the draft OIG report. The attached response addresses each finding and other concerns individually, indicating whether DHS agrees or disagrees with the finding or concern, as well as providing some general comments about the audit and draft report.

DHS is grateful for the opportunity to provide comments that will be incorporated into the final report. DHS would welcome the opportunity to work with OIG to resolve areas of disagreement or other concerns before the final report is issued.

Questions about the attached response can be addressed to:

Ken Tigges  
Iowa Department of Human Services  
Division of Fiscal Management  
Hoover State Office Building, 1<sup>st</sup> Floor South  
Des Moines, IA 50319-0114  
Phone: (515) 281-6027  
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Sincerely,

  
Kevin W. Concannon  
Director

**IOWA DEPARTMENT OF HUMAN SERVICES (DHS) RESPONSE TO:  
OIG Report Number: A-07-05-03062, Iowa Medicaid Payments for Skilled  
Professional Medical Personnel (Draft)**

**Context of the Medicaid Administrative Claiming Program and Skilled Professional  
Medical Personnel (SPMP)**

In general, the Department of Human Services believes that OIG reviewed activities that took place in FFY 2003 in light of the more detailed federal guidance that went into effect AFTER the audit period. OIG should have reviewed the activities during this audit period based upon the then existing federal regulations and guidance. As a matter of law, DHS cannot be held liable for meeting requirements that were never clearly conveyed to it at the time in question. See, Missouri Department of Social Services, DAB No. 1304 (1992).

There have been significant changes in federal guidance regarding Medicaid Administrative Claiming (MAC) and SPMP over the years. During the time period covered by the OIG audit, federal fiscal year (FFY) 2003, there was less clarity and more discretion regarding the MAC program. It is important to understand the historical context of some of the changes in federal guidance over time. For example, the federal Technical Assistance Guide (1997), which was in effect during this audit time period, includes the following guidance to states:

- *“There is much flexibility in what services may be properly claimed as administrative, and some activities can be billed as either medical services or administration.” (Printed page 54)*
- *“As described earlier, how these activities are claimed depends on the specifics of the services themselves, whether any interagency agreements are in place governing these activities, and in some cases, how the state prefers to provide the activities.” (Printed page 55)*
- *“In cases where an activity may qualify as either a medical service or an administrative activity, states have the latitude to classify the function in either category.” (Printed page 62)*
- *“Although the Federal requirements for the Medicaid program apply in all states, because Medicaid is a joint Federal/state program, each state program has its own unique characteristics. Under broad Federal guidelines, each state not only develops its own requirements but also designs and develops its own system for providing medical services to Medicaid-eligible children.” (Printed page 73)*

As quoted, above, the federal guidance provides that states have much flexibility in properly claiming services as either medical or administrative. The guidance also says that states have the latitude to qualify an activity as either a medical service or an administrative activity. Unfortunately, the OIG draft findings apparently interpret certain services as direct medical rather than medical administrative and they do not allow the Iowa Medicaid program the flexibility and latitude that was consistent with the federal guidance in effect during that time.

The Federal CMS Medicaid Administrative Claiming Guide, effective October 1, 2003, tightened the definition for direct medical services, which consequently restricts states' ability to



define the activities of administrative claiming more broadly. This new guidance was not in effect during the FFY 2003 timeframe of this OIG audit.

Two findings of OIG in particular highlight the fact that OIG did not recognize the federal guidance in effect at the time, but rather relied upon the October 1, 2003 guidance. Those two findings are 1) that DHS was in violation of federal regulations because “it did not require [time study] participants to include a narrative explanation of the activity performed” and 2) that the University of Iowa improperly coded activities as SPMP when they were a direct medical service. These two items will be discussed in more detail below.

### **OIG Draft Report Section: UNALLOWABLE CLAIMS AT THE STATE AGENCY**

#### **OIG Draft Finding**

The State agency claimed personnel costs for one person who did not have an employer-employee relationship with the agency pursuant to 42 CFR § 432.50(d)(1)(iv). An employment agency hired and financially compensated the skilled professional medical employee. The State agency paid the employment agency a fee as part of the leasing arrangement. Although the individual worked at the State agency, the individual was not an employee of the State agency.

#### **Response**

This OIG finding pertains to a pharmacist position, hired through Merit Resources, who provided professional administrative services for Iowa’s Medicaid program. DHS concurs that until June of 2003, the pharmacist was not a DHS state employee and there was not an employer-employee relationship. Therefore, while a Merit Resources employee, the pharmacist was not eligible to earn the enhanced 75% SPMP rate. However, rather than earning the 75% rate, the pharmacist was eligible to earn a 50% federal match through the following federally approved Cost Allocation Plan (CAP) program pool: Medical Assistance Title XIX: PP03 Other Staff at 50% FFP [42 CFR 432.50 (b)(6) and 42 CFR 433.15 (b)(7)].

Therefore, rather than concurring with the disallowance of the entire amount claimed for the pharmacist position during this audit period, DHS concurs that the difference between the 75% match rate and 50% match should be disallowed, equaling \$15,936.

Effective June 20, 2003, the pharmacist became a DHS state employee and meets the full SPMP requirements, including 42 CFR § 432.50(d)(1)(iv).

### **OIG Draft Report Section: UNALLOWABLE ACTIVITIES INCLUDED BY THE UNIVERSITY OF IOWA**

#### **OIG Draft Finding**

##### **Direct Medical Services**

Contrary to 42 CFR § 432.50(d)(1)(i) and the Guide, the University included in its payment vouchers activities that were an integral part or related to a direct medical service.

For activities performed in FY 2003, a majority of the skilled professional medical personnel we interviewed at the University stated that they used a skilled professional medical personnel code for administrative activities directly related to a service, such as updating the patient chart,

writing a report concerning the service, or other pre- and post-visit patient activities instead of a code for direct medical services. These activities are an extension of the medical service and as such are unallowable per Federal requirements. Supporting documentation provided by the University also indicated that the activities were not administrative.

In October 2003, the University updated the time study forms used to allocate the skilled professional medical personnel's time. As a result, the majority of the skilled professional medical personnel we interviewed stated that they no longer used a skilled professional medical personnel code for most administrative activities directly related to a service. These administrative activities directly related to a service fall under the "direct medical services" code in the University's new coding guidance.

### **Response**

DHS asserts that this disallowance should be eliminated, or at least reduced, for several reasons. First, the federal regulations and guidance regarding what could properly be claimed as administrative activity versus what was direct medical care were less than clear at the time of this audit period and this lack of direction mitigates against a disallowance. Second, the population served should be taken into account in determining whether activities were or were not direct medical care. And finally, OIG denied the entire amount claimed, even though the auditors acknowledged that some of the activities were correctly coded. At the very least, the amount of the disallowance should be reduced to reflect the fact that not all of the claims were in error and that a portion of them were correctly coded.

As to the first point, the 1997 guidance stated there is much flexibility in what services may be properly claimed as administrative and some activities can be billed as either medical services or administration. *"In cases where an activity may qualify as either a medical service or an administrative activity, states have the latitude to classify the function in either category."* After the 2003 Guide was published, the state modified the descriptions of administrative activities to conform to the more specific requirements. These changes are not an indication that earlier descriptions were in error.

The coding prior to 2003 took into account the specialized population being served. Because of the medically fragile nature of these children, there was significant follow-up and reinforcement of medical advice with the patient and families, outside of the direct care encounter. These activities included additional contacts with the patient by phone to follow up on the care and instructions to other medical professionals or the family from staff other than those in the direct care area. This is administrative case management. It is facilitation of medical care beyond what is expected in medical management only. It occurs with this population due to the significant complexity of medical needs in the population served.

Finally, the Department requests that at a minimum, the amount of the disallowance should be reduced to more appropriately reflect the findings of the auditors that not all of the claims were inappropriately coded.

**OIG Draft Finding**

**Medical Knowledge and Skills**

Contrary to 42 CFR § 432.50(d)(1)(iii), the University included in its payment vouchers activities that did not require providers to have medical knowledge or skills. The time studies reviewed for one University department revealed that 63 percent of time coded was for either non-claimable or non-skilled professional medical personnel activities. In fact, 39 percent of the time coded by the department's skilled professional medical personnel was for non-claimable activities.

In addition, skilled professional medical personnel performed activities that lesser qualified individuals also performed as part of their job duties. For example, skilled professional medical personnel reviewed and helped complete medical assessment forms, attended care conferences, and provided information about services available in the community.

**Response**

DHS was purchasing services provided to specialized population with significant medical needs that usually required complex treatment plans. The Medicaid population served by this agency received more effective case management services due to staff having specific medical knowledge of the severe and complex chronic medical conditions of clients who, perhaps live in a resource poor area of the state. The state was not purchasing direct care services. DHS contests the OIG recommended disallowance and contests the OIG auditors' interpretation that University providers did need to have medical knowledge or skills to provide the types of services that were allowable under the federal guidance in effect during the time period of the audit.

**OIG Draft Finding**

**Education Requirements**

The University claimed 24 employees who did not meet the 2-year education requirements pursuant to 42 CFR § 432.50(d)(1)(ii). For example, a therapeutic recreational assistant, who had a degree in art and anthropology, received medical training on-the-job. Another employee had a bachelor's degree in psychology; Department Appeals Board Decision Number 1033, dated April 1989, stated that a person with a bachelor's in psychology does not meet the professional education and training requirement.

In addition, one University department included as skilled professional medical personnel 22 parent consultants who did not meet the 2-year education requirements. The job description for the parent consultant position did not include a requirement for a degree or certification in a medically related program. Qualifications of interviewed parent consultants were limited to either a high school diploma or education in a field unrelated to the parent consultant position.

**Response**

The University of Iowa's DOP included two professional employees, in a claim, at the SPMP enhanced FFP rate although they did not meet the SPMP educational requirements. However, they did perform Medicaid administrative tasks that qualified for reimbursement at the 50% FFP reimbursement rate.

In addition the University of Iowa CHSC's submitted a claim for 22 Parent Consultants that was reimbursed at the enhanced 75% FFP rate and the SPMP education requirements were not met. Again, they did perform Medicaid administrative tasks that qualified for reimbursement at the 50% FFP reimbursement rate. The Parent Consultants were assigned to the 50% category in the payroll system but claimed at 75%.

DHS approved and processed the claim at the enhanced rate. The University of Iowa and DHS concur that Parent Consultants do not meet the SPMP educational requirements needed to qualify for the enhanced FFP rate.

Title 42, Section 432.50 (FFP: Staffing and Training Costs), Sub-section (a) states: "Availability of FFP. FFP is available in expenditures for salary or other compensation, fringe benefits, travel, per diem, and training at rates determined on the basis of an individual's position, as specified in paragraph (b) of this section." Paragraph (b) states: "Rates of FFP. (1) For skilled professional medical personnel and directly supporting staff of the Medicaid agency or of other public agencies (as defined in Sec, 432.32), the rate is 75%. Sub-paragraph (6) states: "For all other staff of the Medicaid agency or other public agencies providing services to the Medicaid agency, and for training, and for training and other expenses of volunteers, the rate is 50%."

Paragraph (d), sub-paragraph (ii) states: "The skilled professional medical personnel have professional education and training in the field of medical care or appropriate medical practice. Professional education and training means the completion of a 2-year or longer program leading to an academic degree or certificate in a medically related profession. This is demonstrated by possession of a medical license, certificate, or other document issued by a recognized National or State medical licensure or certifying organization or a degree in a medical field issued by a college or university certified by a professional medical organization. Experience in the administration, direction, or implementation of the Medicaid program is not considered the equivalent of professional training in a field of medical care."

The additional back-up materials requested from and provided by OIG, state, "Because we disallowed the entire claim, we did not attach a dollar amount to these errors for the two departments." The two department referenced are DOP and CDD. Referring to the 22 Parent Consultants working for CHSC, the OIG back-up materials state, "Because we disallowed 25 percent of the claim based on activities not requiring medical knowledge, we did not attach a dollar amount to this error."

DHS respectfully requests that OIG set out a dollar amount related to each finding, so that items can be identified individually, broken out from those where there is agreement and contested if deemed appropriate.

The University of Iowa DOP and CHSC are no longer participating in the MAC program. Additional training and discussions have taken place with the University of Iowa CDD regarding time coding and distinguishing between SPMP and non-SPMP costs. In addition, time sheets have been revised to include narrative support for coding which assists in verifying the accuracy of claims that are now subjected to an extensive review by DHS personnel.

**OIG Draft Finding**

**Improper Costs Included in Payment Vouchers**

The University included improper personnel costs and indirect costs in its payment vouchers; it also included travel costs for activities that did not support the Medicaid Administrative Claiming program.

Two University departments inaccurately included personnel costs in the payment vouchers. In 62 instances, one department incorrectly included salary and fringe benefits for employees who were partially funded by another University department or Federal program. Supporting documentation did not offset the portion paid by the other department or Federal programs. According to OMB Circular A-87, any cost allocable to a particular Federal grant may not be charged to other Federal grants. Contrary to 42 CFR § 432.50(c)(1)(3), the second department used an unapproved methodology to determine the salaries for directly supporting staff rather than have them complete time studies.

Two University departments included indirect costs at the enhanced Federal funding rate, which was unallowable pursuant to 42 CFR § 433.15(b)(5).

One University department included travel costs for activities that did not support the Medicaid Administrative Claiming program. Therefore, the enhanced portion of the travel expenditures related to the unallowable participants and activities is unallowable. In addition, the department also claimed questionable travel expenses for such items as travel to individualized education planning meetings and travel vouchers for individuals whose personnel costs were not included in the department's claim.

**Response**

Multiple issues are identified in this finding. DHS is responding separately as follows.

*Response Regarding Revenue Offset:*

DHS concurs with a portion of this finding to the extent that personnel costs charged against the MAC program were funded by another Federal program. However, the portion of personnel costs paid by CDD and DOP and not funded from another source, and eligible for reimbursement from the MAC program should be allowed.

*Response Regarding Support Staff:*

Title 42, Chapter IV (Centers for Medicare and Medicaid Services, Department of Health and Human Services), Section 433.15 of the Code of Federal Regulations establishes rates of FFP for administration. The Code states:

“(a) Basis, Section 1903(a) (2) through (5) and (7) of the act '(a) Basis. Section 1903(a) (2) through (5) and (7) of the Act provide for payments to States, on the basis provide for payments to States, on the basis of specified percentages, for part of their expenditures for administration of an approved State plan. 5) Compensation and training of skilled professional medical personnel and staff directly supporting those personnel if the criteria specified in Sec. 432.50 (c) and (d) are met: 75 percent. (Section 1903(a)(2); 42 CFR 432.50(b)(1).)”

Section 432.50 states:

“(b) Rates of FFP. (1) For skilled professional medical personnel and directly supporting staff of the Medicaid agency or of other public agencies (as defined in Sec. 432.2), the rate is 75 percent.(c) Application of rates. (1) FFP is prorated for staff time that is split among functions reimbursed at different rates.”

(2) Rates of FFP in excess of 50 percent apply only to those portions of the individual's working time that are spent carrying out duties in the specified areas for which the higher rate is authorized. (3) The allocation of personnel and staff costs must be based on either the actual percentages of time spent carrying out duties in the specified areas, or another methodology approved by CMS.”

“(d) Other limitations for FFP rate for skilled professional medical personnel and directly supporting staff--(1) Medicaid agency personnel and staff. The rate of 75 percent FFP is available for skilled professional medical personnel and directly supporting staff of the Medicaid agency if the following criteria, as applicable, are met: (i) The expenditures are for activities that are directly related to the administration of the Medicaid program, and as such do not include expenditures for medical assistance; (ii) The skilled professional medical personnel have professional education and training in the field of medical care or appropriate medical practice. (“Professional education and training” means the completion of a 2-year or longer program leading to an academic degree or certificate in a medically related profession.) This is demonstrated by possession of a medical license, certificate, or other document issued by a recognized National or State medical licensure or certifying organization or a degree in a medical field issued by a college or university certified by a professional medical organization. experience in the administration, direction, or implementation of the Medicaid program is not considered the equivalent of professional training in a field of medical care.”

“(iii) The skilled professional medical personnel are in positions that have duties and responsibilities that require those professional medical knowledge and skills.(iv) A State-documented employer-employee relationship exists between the Medicaid agency and the skilled professional medical personnel and directly supporting staff; and(v) The directly supporting staff are secretarial, stenographic, and copying personnel and file and records clerks who provide clerical services that are directly necessary for the completion of the professional medical responsibilities and functions of the skilled professional medical staff. The skilled professional medical staff must directly supervise the supporting staff and the performance of the supporting staff's work.”

“(2) Staff of other public agencies. The rate of 75 percent FFP is available for staff of other public agencies if the requirements specified in paragraph (d)(1) of this section are met and the public agency has a written agreement with the Medicaid agency to verify that these requirements are met.”

Title 42, Part 432, Subpart A, Section 432.2 of the Code of Federal Regulations establishes definitions as follows.

“As used in this part-- Community service aides means sub-professional staff, employed in a variety of positions, whose duties are an integral part of the agency's responsibility for planning, administration, and for delivery of health services. Directly supporting staff means secretarial, stenographic, and copying personnel and file and records clerks who provide clerical services that directly support the responsibilities of skilled professional medical personnel, who are directly supervised by the skilled professional medical personnel, and who are in an employer- employee relationship with the Medicaid agency.”

“Fringe benefits means the employer's share of premiums for workmen's compensation, employees' retirement, unemployment compensation, health insurance, and similar expenses.

Full-time training means training that requires employees to be relieved of all responsibility for performance of current agency work to participate in a training program. Part-time training means training that allows employees to continue full-time in their agency jobs or requires only partial reduction of work activities to participate in the training activity. Skilled professional medical personnel means physicians, dentists, nurses, and other specialized personnel who have professional education and training in the field of medical care or appropriate medical practice and who are in an employer-employee relationship with the Medicaid agency. It does not include other non-medical health professionals such as public administrators, medical analysts, lobbyists, senior managers or administrators of public assistance programs or the Medicaid program.”

“Staff of other public agencies means skilled professional medical personnel and directly supporting staff who are employed in State or local agencies other than the Medicaid agency who perform duties that directly relate to the administration of the Medicaid program. Sub-professional staff means persons performing tasks that demand little or no formal education; a high school diploma; or less than 4 years of college. Supporting staff means secretarial, stenographic, clerical, and other sub-professional staff whose activities are directly necessary to the carrying out of the functions which are the responsibility of skilled professional medical personnel, as defined in this section.”

“Training program means a program of educational activities based on the agency's training needs and aimed at insuring that agency staff acquire the knowledge and skills necessary to perform their jobs. Volunteer means a person who contributes personal service to the community through the agency's program but is not a replacement or substitute for paid staff.”

The University of Iowa CDD included directly supporting clerical costs defining “directly supporting staff” as secretaries, stenographers, copying personnel, and file and record clerks who provide clerical services that are directly necessary for the completion of the professional medical responsibilities and functions of the skilled professional medical staff. CDD understands that skilled professional medical staff must directly supervise the supporting staff and the performance of the supporting staff's work. Similarly, 42 CFR § 432.5(c)(1)(3) states,

“The allocation of personnel and staff costs must be based on either the actual percentages of time spent carrying out duties in the specified areas, or another methodology...”

CDD received approval to allocate applicable clerical time based on the coding activities of the SPMP staff member directly supported by the pertinent clerical staff member. In addition, 42 CFR 432.5(b)(1) states, “For skilled professional medical personnel and directly supporting staff of the Medicaid agency or other public agencies...the rate is 75 percent.” Thus, these Federal regulations support CDD’s handling of applicable directly supporting clerical costs and DHS contest the part of the disallowance related to this part of the OIG finding and recommendation.

DHS requests that the recommended amount of disallowance be recalculated and reduced by the amount that was claimed for directly supporting staff for the SPMP personnel.

*Response Regarding Claims for Indirect & Direct Costs:*

The interagency agreement between the University of Iowa (CDD/DOP) and IDHS contains a provision for application of an 8% indirect cost rate. This is the rate used for all State of Iowa and NIH Training Programs in lieu of the actual indirect cost rate for the University of Iowa, which was 47%. The University of Iowa’s Facilities and Administrative Cost Rate Agreement is negotiated with the U.S. Department of Health and Human Services, Division of Cost Allocation. The OIG auditors contend that the “42 CFR § 433.15(b)(5) defines indirect costs as unallowable at the enhanced Federal funding rate.”

Title 42, Chapter IV, Part 433, Subpart A, Section 433.15 Paragraph (b), Subparagraph 5 states: “(5) Compensation and training of skilled professional medical personnel and staff directly supporting those personnel if the criteria specified in Sec. 432.50 (c) and (d) are met: 75 percent.” Subparagraph (7) states: “(7) All other activities the Secretary finds necessary for proper and efficient administration of the State plan: 50 percent.”

We concur that the indirect costs should not have been claimed at the enhanced rate. However, OIG recommends that all of the indirect costs associated with enhanced claiming be disallowed, even though these costs are eligible for at least a 50% rate. Therefore, DHS respectfully contests the disallowance recommended by OIG of 100% of the indirect costs claimed at the enhanced rate.

*Response Regarding CHSC Travel costs:*

Three individuals, [REDACTED] and [REDACTED] are CHSC nurses paid under the MCHB Title V Block grant. DHS concurs that these travel expenses should be disallowable.

Two travel claims were associated with Area Education Agencies as noted by the OIG. [REDACTED] travel invoice (\$21.70) was to present information on the Waiver Program at an Early Access coordination meeting for local providers located at the [REDACTED]. DHS does not concur that this should be disallowed.

[REDACTED] travel voucher (\$2.48) noted only AEA. [REDACTED] was the Waiver secretary and worked only for this program. [REDACTED] is no longer employed by CHSC and the travel voucher provided no additional information. Due to the lack of additional information about the

Shaded Areas above were redacted by OIG Auditors.



specific nature of her travel, DHS cannot confirm or refute OIG's recommended disallowance, so DHS concurs with this part of the finding.

Three travel claims were submitted for participation in patient specific Individualized Education Planning (IEP) meetings. The Waiver/EPST nurses were specifically requested to attend the IEP due to the significant medical issues for the child. DHS does not concur that this would be disallowed.

claimed a portion of travel to an MCH Leadership Training meeting (\$65.10), and claimed a portion of travel to the Association of Maternal and Child Health Program (AMCHP) meeting (\$219.50 +\$1,076.20). DHS concurs that these travel expenses should be disallowable

DHS respectfully requests that OIG recalculate the recommended disallowance amount, reducing it by those items and applicable amounts that are contested.

### **OIG Draft Report Section: UNALLOWABLE ACTIVITIES INCLUDED BY ONE SCHOOL DISTRICT**

#### **OIG Draft Finding**

##### **Activities Did Not Require Medical Knowledge**

School district A included activities that did not require providers to have medical knowledge or skills. For example, on one time study, an employee used a skilled professional medical personnel code to indicate when she or he discussed schedules and homework plans with a parent when the child was absent.

We did not quantify the effect of unallowable activities. However, we believe the same type of errors occurred at the participating school districts we did not audit.

#### **Response**

The school district that was audited by OIG was the also known as the Documentation, in the form of Skilled Professional Medical Personnel Questionnaires, was available for review by the OIG auditors that demonstrated that employees participating at the SMPM level met program medical knowledge criteria to code at this level of participation.

All district employees participating at the SMPM rate were registered nurses working in the capacity of school nurses. In the course of their work, they provide many services that would have been reimbursable under the definitions of services requiring medical knowledge. Their job descriptions summarize some of these activities. Given that only certain days were captured in the time studies, the recorded activities do not represent a comprehensive view of all of the work performed by these individuals that does require medical knowledge and supports the State's Medicaid plan.

Training in coding practices was provided through regular face-to-face presentations and through ongoing written reminders and updates. This was particularly important, as the program's

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interpretation of how to apply and use certain codes has changed over time. These changes led to confusion for program participants that resulted in some of the inconsistencies in coding practices outlined in the examples OIG provided. The need to code direct health care activities, educational and social services at a non-SPMP level has been consistently reinforced with staff through trainings and written updates. Supporting documentation was maintained at the school buildings. Periodic reviews of the daily logs were performed in instances where an individual's coding practices seemed to be far out of line with the group's coding experience. Review of coding on daily logs was also assessed as part of the employee's regular performance reviews. Despite some variances in coding practices cited in the OIG audit, these proactive steps have improved overall performance in the program and increased coding consistency.

A point of clarification should be made regarding the auditors finding that the daily log sometimes reflected only a few minutes spent on a code for which 15 minutes was claimed. The time frames were considered snap shots of activity vs. billable units of time. Program instructions provided to us in trainings always directed us to assign a code that best captured the activity-taking place for the majority of that 15-minute interval.

The program methodology has been totally revamped and specific district practices improved since the time reviewed in the OIG audit thus eliminating many of the coding irregularities cited in the OIG audit. Specific changes include:

- The SPMP rate of billing has been eliminated
- Random moment methodology has replaced the 15-minute time study format.
- Each district assigns only several persons who are specially trained in coding practices to code all activities. This has significantly reduced the rate of coding inconsistencies that were inherent in the old methodology.
- The State's program auditor also checks and verifies the entries and the codes assigned. This supports more accurate coding of activities and provides for timely detection and follow up if a coder is misinterpreting coding applications
- Supporting documentation is now reviewed as part of the coding process at the district level to better ensure that the supporting documentation supports the code assigned.

### **OIG Draft Finding**

#### **Inaccurately Completed Payment Vouchers**

School district A inaccurately included personnel costs in the payment vouchers. The school district included personnel costs for employees who did not complete time studies and for an employee who was missing a time study.

### **Response**

The [REDACTED] have established written guidelines that outline procedures that are to be followed in gathering the information needed to complete the revenue offset worksheet and quarterly invoices. These guidelines, available for review by the auditors, were representative of the procedures followed for the time included in the OIG audit and also those adopted in April 2004 to conform with the changes in program methodology that were enacted in that year. At the beginning of each quarter, it was the school district's practice to communicate changes in the participant list to staff assisting in the preparation of the payment vouchers. Some of this communication was done verbally or through telephone communications.

Shaded Areas above were redacted by OIG Auditors.

In response to the specific findings of the OIG audit in this area of review:

- 1) Three SPMP personnel were included in total costs for two quarters, (Quarters ending September 30, 2002 and December 31, 2002). The three individuals, [REDACTED] were all new school nurses. As they were expected to participate in the program, they were subsequently factored into the first quarter financial formulas. [REDACTED] Public Schools used the accepted averaging methodology outlined in the June 12, 2002 communication to calculate the first quarter claim. With this methodology no actual coding of activities was required of any program participants. Program participation by these three employees was subsequently delayed until third quarter to allow them more time to be trained to program practices and coding methodologies. This lack of participation in the second quarter was not adequately conveyed to staff completing the financial vouchers. As a result, the financial information for these three employees was inappropriately included in the total costs for the quarter ending December 31, 2002.
- 2) Personnel costs were included for [REDACTED] whose time study results were missing for the quarter ended September 30, 2002 in which she was claimed: [REDACTED] had been a regular participant in the program. No reason why she would not have participated in this quarter can be recalled or was documented. Although all other participant time studies for that quarter were available, [REDACTED] time study was not present in the audit file at the time of the OIG audit. Due to the lack of availability of the time study log, we cannot confirm or refute her participation in the program for this quarter so will concur with this finding.

To insure ongoing compliance in this area, at the beginning of each claiming period, the Department of Health Services of [REDACTED] Public Schools provides a written list of program participants to district staff that calculate total costs and prepare the financial vouchers. This list is also provided to the State's program auditor.

**OIG Draft Report Section: STATE AGENCY DID NOT ADEQUATELY MONITOR  
MEDICAID ADMINISTRATIVE CLAIMS**

**OIG Draft Report Statement**

The State agency did not have sufficient policies and procedures to adequately monitor payment vouchers submitted by participants for the Medicaid Administrative Claiming program.

**Response**

Set out in another finding in the OIG Audit Report are references to Federal regulations governing the eligibility of skilled professional medical personnel (SPMP) costs. The sections set out in conjunction with other Federal regulations provide adequate policies and procedures to monitor SPMP cost claims. The Federal regulations were in place during FFY '03. The Federal government also provided the "Medicaid and School Health: A Technical Assistance Guide" published in August of 1997 and updated in May of 2003. In addition to the Federal regulations, the Department of Human Services also developed and utilized the "Reviewer's Guide to Medicaid Administrative Claiming" originally published in July of 2000. All of the above

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provide sufficient policy and procedural guidance for monitoring payment vouchers submitted by participants for the Medicaid Administrative Claiming program.

DHS does not concur with this statement and respectfully asks that it be removed from OIG's final report.

**OIG Draft Report Statement**

The State agency did not review supporting documentation to ensure that only Medicaid administrative activities were claimed.

**Response**

The MAC reviewer, prior to payment, reviewed all Medicaid Administrative Claiming program claims processed during FFY '03. Mathematical accuracy was tested; the appropriateness of the types and amount of costs being claimed was reviewed; and documentation was requested for questioned costs. Desk reviews were conducted on a number of sample claims that resulted in DHS requiring the claimant to provide documentation in support of the costs included in their claims. Additionally, several on-site financial reviews were conducted to review documentation and as a result, several claims were not processed until the problems identified during the reviews were satisfactorily resolved.

The importance of conducting independent MAC financial reviews is recognized by DHS and subsequent to SFY 2003; the Department has included an annual performance measure in its Strategic Plan for MAC reviews. The Department has implemented a performance target to review each MAC program participants at least bi-annually.

DHS does not concur with this statement and respectfully asks that it be removed from OIG's final report.

**OIG Draft Report Statement**

Finally, the State agency did not provide the University training for skilled professional medical personnel who completed time studies during the audit period.

**Response**

Training for the MAC program is provided to participants by the Iowa Department of Human Services in conjunction with the Iowa Department of Public Health (IDPH). DHS/IDPH provided training to a select group of U of I employees participating in the Medicaid Administrative Claiming (MAC) program using a train-the-trainers approach. The intent of this process was that the University group, trained on MAC program claiming requirements, would then provide training to all University MAC program service providers that would include adequate guidance to ensure compliance with cost reimbursement, time coding, and skilled professional medical personnel (SPMP) program requirements.

A portion of the training covered the requirements necessary for a claim to be reimbursed at the SPMP Federal enhanced rate of 75% rather than the normal 50% rate. The training was provided by DHS to the U of I at least annually and was supported by technical assistance group sessions. DHS/IDPH provided training to the U of I select group on the following dates: 6/22/01, 5/31/02,

7/11/02, 7/28/02, 9/17/02, 1/11/05 and 1/28/05. In addition, the DHS/IDPH conducted an annual training session that covered the requirements for SPMP and non-SPMP claiming, as well as clarification of MAC services and direct medical services; held two meetings with the U of I in the spring of 2004; and conducted on-site training on May 19, 2005.

In October of 2003, in an effort to further assist those U of I employees recording time against the MAC program, DHS/IDPH developed a series of examples of the types of activities applicable to each time code and added it to the existing time coding training materials provided MAC program participants.

In the future, DHS/IDPH will identify the problems encountered by U of I personnel participating in the MAC program; design a training program to address the problem areas, in addition to an overall review of the coding requirements; and require U of I personnel to attend the training session. DHS will follow-up with on-site reviews to test the accuracy of time coding, including the proper use of the SPMP designation.

DHS does not concur with this statement and respectfully asks that it be removed from OIG's final report.

#### **OIG Draft Report Statement**

Additionally, the time studies did not provide adequate support for the time allocated to the enhanced administrative activities because the State did not require participants to include a narrative explanation of the activity performed.

#### **Response**

Federal regulations governing the Medicaid Administrative Claiming program during the audit period (FFY 2003) did not require narrative explanations. DHS operated its MAC program using a time study methodology that was approved by HCFA (now known as CMS) and was verified in a letter to Iowa Medicaid. The federal regulations impose general record keeping requirements, but the requirements are very general in nature and can't be interpreted to imply that a **narrative explanation** is required on time study sheets. Federal code Section 42 CFR 433.32 states:

A State plan must provide that the Medicaid agency and, where applicable, local agencies administering the plan will—

- (a) Maintain an accounting system and supporting fiscal records to assure that claims for Federal funds are in accord with applicable Federal requirements;
- (b) Retain records for 3 years from date of submission of a final expenditure report;
- (c) Retain records beyond the 3-year period if audit findings have not been resolved; and
- (d) Retain records for nonexpendable property acquired under a Federal grant for 3 years from the date of final disposition of that property.

The requirement for notations on the time study forms did not become CMS policy until the release of the May 2003, MAC Final Guide, which was not in effect until October 1, 2003. Since this new guidance was after the time period audited by OIG, DHS should not held responsible for requirements that are were not in effective during the timeframe of the audit

scope. DHS did establish a procedure, in October 2003, requiring narrative explanation on the time study sheets in response to the new CMS policy.

Since requirements for narratives were not in effect during the timeframe of the OIG audit, DHS does not concur with this statement and respectfully asks that it be removed from OIG's final report.



# STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR  
SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES  
KEVIN W. CONCANNON, DIRECTOR

JAN 13 2006

Patrick J. Cogley  
Regional Inspector General for Audit Services  
DHHS-Office of Inspector General  
Office of Audit Services - Region VII  
Room 284A  
601 East 12th Street  
Kansas City, Missouri 64016

RE: OIG Audit Number: A-07-05-03062

Dear Mr. Cogley:

On December 22, 2005, the Iowa Department of Human Services (DHS) submitted its response to the draft OIG SPMP audit report (number, A-07-05-03062) as to the reasonableness and validity of the draft findings, which were the basis for the OIG recommendations. On January 5, 2006, Debra Keasling of DHHS-OIG-OAS, requested that DHS provide additional information stating Iowa's position on each recommendation. The attached addendum is in response to Ms. Keasling's request. Both the DHS original response (dated December 22, 2005) and this addendum (dated January 13, 2006) constitute Iowa's formal response to the OIG report.

DHS appreciates that OIG will include both our original response and the addendum in their entirety, as an appendix in OIG's final report. DHS would welcome the opportunity to work with OIG to resolve areas of disagreement or other concerns before the final report is issued.

Questions about the attached response can be addressed to:

Ken Tigges  
Iowa Department of Human Services  
Division of Fiscal Management  
Hoover State Office Building, 1<sup>st</sup> Floor South  
Des Moines, IA 50319-0114  
Phone: (515) 281-6027  
Fax: (515) 281-6237

Sincerely,

  
Kevin W. Concannon  
Director

cc: Debra Keasling, DHHS-OIG-OAS, Region VII

Addendum to  
**IOWA DEPARTMENT OF HUMAN SERVICES (DHS) RESPONSE TO:  
 OIG Report Number: A-07-05-03062, Iowa Medicaid Payments for Skilled  
 Professional Medical Personnel (Draft)**

In the Iowa Department of Human Services (DHS) response, dated December 22, 2005, to the draft OIG SPMP audit report (number, A-07-05-03062), DHS responded to the reasonableness and validity of the draft findings, which were the basis for OIG's recommendations. By responding to each finding, DHS believes that its original response was more thorough and comprehensive than responding only to the OIG recommendations.

On January 5, 2006, Debra Keasling, of DHHS-OIG-OAS, requested that DHS provide additional information, stating Iowa's position on each recommendation. This addendum is in response to Ms. Keasling's request. Both the DHS original response (dated December 22, 2005) and this addendum (dated January 13, 2006) constitute Iowa's formal response to the OIG report.

OIG Recommendation - Refund \$643,257 (later revised to \$703,631) to the Federal Government

Response - The recommended disallowance or refund amount is calculated based on multiple OIG draft findings. As detailed in the individual DHS responses to each finding, DHS has a range of concurrence and disagreement with OIG's recommendation. For some findings, DHS:

- Disagrees with the finding and the entire OIG-recommended disallowance amount. For specific details, see the DHS response document, dated December 22, 2005, addressing the following,
  - Third OIG finding -- concerning whether medical knowledge and skills were required for certain University provided service
- Agrees, at least in part, with the finding but disagrees with the calculated disallowance amount. However, OIG did not provide sufficient detail to calculate an uncontested disallowance amount. See the DHS responses to the following,
  - Second OIG finding -- concerning claiming skilled professional medical administrative services versus direct medical services
  - Fourth OIG finding -- concerning educational requirements
  - Fifth OIG finding -- concerning improper costs included in payment vouchers, including revenue offsets; SPMP support staff; indirect and direct cost; and travel costs
- Agrees, at least in part, with the finding but disagrees with the calculated disallowance amount. There was sufficient detail for DHS to calculate the correct disallowance amount. See the DHS responses to the following,
  - First OIG finding -- concerning the DHS pharmacist position
- Does not contest the finding and concurs with the disallowance amount. See the DHS responses to the following,



- Sixth OIG finding -- concerning certain activities claimed by the audited school district that did not require medical knowledge
- Seventh OIG finding -- concerning certain payment vouchers completed inaccurately by the audited school district

OIG Recommendation - Ensure that direct medical services are claimed at the Federal Medical Assistance Percentage rate and not the enhanced administrative rate

Response - Assuming that OIG's recommendation is based on their findings, DHS does not concur that this recommendation is necessary, based on the federal guidance in effect during the time period audited. As quoted in the DHS response, dated December 22, 2005, the federal guidance provides that states have much flexibility in properly claiming services as either medical or administrative. The guidance also says that states have the latitude to qualify an activity as either a medical service or an administrative activity. Unfortunately, the OIG draft findings apparently interpret certain services as direct medical rather than medical administrative and do not allow the Iowa Medicaid program the flexibility and latitude consistent with the federal guidance in effect during that time (see pages 1 to 3 of the DHS response).

OIG Recommendation - Develop and implement policies and procedures to more closely monitor payments for skilled professional medical personnel

Response - DHS does not concur with this recommendation. In the DHS response, dated December 22, 2005, DHS specifically addressed the OIG allegation of insufficient policies and procedures and details implementation of DHS monitoring and oversight of the Medicaid Administrative Claiming program (see pages 12 and 13).

OIG Recommendation - Provide training concerning how to properly complete the time studies to all participating agencies

Response - DHS has and will continue to provide training concerning how to properly complete the time studies to all participating agencies. DHS does not agree with the statement in the OIG draft report, "Finally, the State agency did not provide the University training for skilled professional medical personnel who completed time studies during the audit period." In the DHS response, dated December 22, 2005, a summary is provided of the training and technical assistance that was given by DHS and the Iowa Department of Public Health (IDPH) to the University, as well as other MAC providers. DHS also provided information regarding future DHS and IDPH training and technical assistance strategies (see pages 13 and 14).

OIG Recommendation - Review FY 2003 payment vouchers submitted by all participating entities to ensure that activities included comply with Federal requirements and remit the Federal share of any overpayments to the Federal Government

Response - DHS will work with the Centers for Medicare and Medicaid Services (CMS) on any necessary plan of corrective action or review related to this audit recommendation .