



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF AUDIT SERVICES  
233 NORTH MICHIGAN AVENUE  
CHICAGO, ILLINOIS 60601

REGION V  
OFFICE OF  
INSPECTOR GENERAL

October 22, 2008

Report Number: A-05-08-00060

Mr. Barry Maram  
Director  
Illinois Department of Healthcare and Family Services  
201 South Grand Avenue East  
Springfield, Illinois 62763

Dear Mr. Maram:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Social Security Act Section 1915(c) Waiver Payments for Home and Community-Based Services at Search Developmental Center, July 1, 2004, Through June 30, 2005." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

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

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, the final report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Steve Slamar, Audit Manager, at (312) 353-7905 or through e-mail at [Stephen.Slamar@oig.hhs.gov](mailto:Stephen.Slamar@oig.hhs.gov). Please refer to report number A-05-08-00060 in all correspondence.

Sincerely,

  
Marc Gustafson  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Jackie Garner, Consortium Administrator  
Consortium for Medicaid and Children's Health Operations  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF SOCIAL SECURITY  
ACT SECTION 1915(C) WAIVER  
PAYMENTS FOR HOME AND  
COMMUNITY-BASED SERVICES  
AT  
SEARCH DEVELOPMENTAL  
CENTER, JULY 1, 2004,  
THROUGH JUNE 30, 2005**



Daniel R. Levinson  
Inspector General

October 2008  
A-05-08-00060

# ***Office of Inspector General***

<http://oig.hhs.gov>

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

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

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with Federal requirements.

Section 1915(c) of the Act authorizes the Medicaid Home and Community-Based Services (HCBS) waiver program. A State's HCBS waiver program must be approved by CMS and allows the State to claim Federal reimbursement for services not usually covered by Medicaid. HCBS are generally provided to Medicaid-eligible beneficiaries in a community rather than an institutional setting.

The Illinois Department of Healthcare and Family Services (the State agency) administers the State's HCBS waiver program, which includes a waiver to provide services to adults with developmental disabilities (DD). The State agency contracts with the Illinois Department of Human Services (DHS) to manage the DD waiver program. DHS contracts with providers that offer HCBS to Medicaid-eligible beneficiaries in a community setting. The State agency claimed Federal reimbursement of about \$182 million for HCBS provided under the DD waiver program during State fiscal year (SFY) 2005 (July 1, 2004, through June 30, 2005).

Search Developmental Center (SDC) was the fifth largest provider of HCBS under the Illinois DD waiver during SFY 2005. DHS reimbursed SDC about \$7.24 million (\$3.62 million Federal share) for HCBS provided under the DD waiver program during SFY 2005.

### **OBJECTIVE**

Our objective was to determine whether the State agency's claim for Medicaid reimbursement for HCBS provided by SDC during SFY 2005 complied with Federal and State requirements.

### **SUMMARY OF FINDINGS**

During SFY 2005, we estimate the State agency claimed \$70,008 (\$35,004 Federal share) for Medicaid reimbursement paid to SDC for HCBS that did not comply with Federal and State requirements. For 2,756 services claimed in 51 of 100 sampled beneficiary-months, the State agency accurately claimed Medicaid reimbursement for allowable HCBS. However, the State agency claimed Medicaid reimbursement for 458 services in 49 beneficiary-months that were unallowable because SDC did not provide the services or meet documentation requirements. Specifically, the State agency claimed Medicaid reimbursement for:

- 51 services that were not adequately documented by SDC to show that the HCBS were actually provided for 3 beneficiaries,
- 214 services for 14 beneficiaries who did not receive developmental training services during scheduled lunch periods at SDC,
- 155 services for 17 beneficiaries who received less hours of developmental training than were claimed by SDC,
- Five services for five beneficiaries who were not present and did not receive developmental training at SDC due to their attendance at other medical facilities, and
- 33 services for 19 beneficiaries who were not present and did not receive developmental training at SDC because they were attending on-site medical appointments.

The claims for the unallowable services were made because SDC did not implement adequate internal controls to ensure it documented and claimed reimbursement only for allowable services actually provided.

#### **RECOMMENDATIONS:**

We recommend that the State agency:

- refund \$35,004 to the Federal Government for unallowable HCBS claimed in SFY 2005 and
- require SDC to implement internal controls to ensure it documents and claims reimbursement only for allowable HCBS actually provided in accordance with Federal and State requirements.

#### **STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, the State agency did not address our first recommendation. In response to our second recommendation, the State agency plans to reissue guidance, which will be updated to address issues identified in this audit, to all providers. In addition, SDC plans to implement a computer system that will ensure that attendance records accurately reflect the type of service provided.

We continue to recommend that the State agency refund \$35,004 to the Federal Government.

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

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## **INTRODUCTION**

### **BACKGROUND**

#### **Medicaid Program**

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. The Department of Healthcare and Family Services (the State agency) administers the State's Medicaid program in Illinois.

#### **Section 1915(c) Waivers**

Section 1915(c) of the Act authorizes the Medicaid Home and Community-Based Services (HCBS) waiver program. A State's HCBS waiver program must be approved by CMS and allows the State to claim Federal reimbursement for services not usually covered by Medicaid. HCBS are generally provided to Medicaid-eligible beneficiaries in a community rather than an institutional setting. With CMS approval and pursuant to section 1915(c)(4)(B), States determine the services that may be provided under the waiver program including:

. . . case management services, homemaker/home health aide services and personal care services, adult day health services, habilitation services, respite care, and such other services requested by the State as the Secretary may approve and for day treatment or other partial hospitalization services, psychosocial rehabilitation services, and clinic services (whether or not furnished in a facility) for individuals with chronic mental illness.

#### **Illinois Adults With Developmental Disabilities Waiver**

The Illinois adults with developmental disabilities (DD) waiver program is one of several section 1915(c) waivers approved by CMS. The DD waiver allows the State agency to provide HCBS to Medicaid-eligible beneficiaries in a community setting as opposed to an institutional setting. The State agency contracts with the Illinois Department of Human Services (DHS) to operate the waiver program on a day-to-day basis. DHS reimbursed providers for claimed HCBS, and subsequently, submitted claims for reimbursement to the State agency. Under the DD waiver program, the State agency claimed Federal reimbursement of about \$182 million during the State fiscal year (SFY) 2005 (July 1, 2004, through June 30, 2005).

#### **Search Developmental Center**

Search Developmental Center (SDC) was the fifth largest provider of HCBS under the Illinois DD waiver during SFY 2005. DHS reimbursed SDC about \$7.24 million (\$3.62

million Federal share) for HCBS provided under the DD waiver program during SFY 2005.

This review of the State agency's claim for reimbursement for HCBS at SDC is one in a series of reports regarding Illinois' claims for HCBS.

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

### **Objective**

Our objective was to determine whether the State agency's claim for Medicaid reimbursement for HCBS provided by SDC during SFY 2005 complied with Federal and State requirements.

### **Scope**

Our review covered the State agency's claims for Medicaid reimbursement of HCBS provided by SDC under the DD waiver program for SFY 2005. The State agency claimed \$7.24 million (\$3.62 million Federal share) for 86,427 HCBS provided by SDC under the DD waiver program during 2,583 beneficiary-months<sup>1</sup> for this period. We selected a simple random sample of 100 beneficiary-months with payments totaling \$270,365 (\$135,183 Federal Share) for review. The scope of our audit did not include a medical review or an evaluation of the medical necessity for the services that SDC provided and claimed reimbursement.

We did not assess the State agency's overall internal controls. We limited our review to gaining an understanding of the State agency's and DHS's controls related to Medicaid claims and payments and to the operation of the DD waiver program. We reviewed SDC's internal controls for providing, documenting, and claiming reimbursement for HCBS. We did not review the propriety of HCBS payment rates.

We performed fieldwork at the State agency and DHS offices located in Springfield, Illinois, and at SDC located in Chicago, Illinois, from March through August 2008.

### **Methodology**

To accomplish our objective, we:

- reviewed Federal and State laws, Medicaid HCBS waiver regulations, the Illinois Waiver Manual, and the CMS-approved DD waiver;
- interviewed CMS, State agency, DHS, and SDC officials regarding HCBS policies, procedures, and documentation requirements;

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<sup>1</sup>A beneficiary-month includes all HCBS for one beneficiary for one month. The beneficiary-month can include multiple services.

- reconciled the HCBS claimed for Federal reimbursement on the “Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program,” Form CMS-64, by the State agency to its accounting records for the quarters ended March and June of 2005;
- analyzed the State agency’s SFY 2005 HCBS payments to DD service providers and identified SDC as the fifth largest provider;
- selected a simple random sample of 100 beneficiary-months at SDC from the population of all HCBS claimed and paid under the DD waiver program during SFY 2005 (see Appendix A) and:
  - reviewed the supporting documentation including individual service plans (ISP), monthly staff notes, attendance reports, clinical notes, and all other medical history notes;
  - verified services were paid accurately based on the individual payment rate sheets provided by the State agency;
  - ensured claimed services were included in the approved ISP;
  - confirmed beneficiary eligibility for services;
  - determined whether services were provided by appropriately qualified staff;
  - identified any services that were not provided or paid in accordance with applicable criteria; and
  - estimated the results of our sample review to the population of beneficiary-months (see Appendix B).

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### **FINDINGS AND RECOMMENDATIONS**

During SFY 2005, we estimate the State agency claimed \$70,008 (\$35,004 Federal share) for Medicaid reimbursement paid to SDC for HCBS that did not comply with Federal and State requirements. For 2,756 services claimed in 51 of 100 sampled beneficiary-months, the State agency accurately claimed Medicaid reimbursement for allowable HCBS. However, the State agency claimed Medicaid reimbursement for 458 services in 49 beneficiary-months that were unallowable because SDC did not provide the services or meet documentation requirements. Specifically, the State agency claimed Medicaid reimbursement for:

- 51 services that were not adequately documented by SDC to show that the HCBS were actually provided for 3 beneficiaries,
- 214 services for 14 beneficiaries who did not receive developmental training services during scheduled lunch periods at SDC,
- 155 services for 17 beneficiaries who received less hours of developmental training than were claimed by SDC,
- Five services for five beneficiaries who were not present and did not receive developmental training at SDC due to their attendance at other medical facilities, and
- 33 services for 19 beneficiaries who were not present and did not receive developmental training at SDC because they were attending on-site medical appointments.

The claims for unallowable services were made because SDC did not implement adequate internal controls to ensure it documented and claimed reimbursement only for allowable services actually provided.

## **WAIVER REQUIREMENTS**

HCBS program requirements are contained in Federal law, a CMS program manual, the CMS-approved DD waiver, Illinois Administrative Code, and the Illinois Waiver Manual.

### **Federal Law**

Federal regulations state that costs must be adequately documented in order to be allowable under Federal awards (2 CFR § 225, Appendix A (C.1.j)).

### **Centers for Medicare & Medicaid Services Program Manual**

Section 2500.2 of the CMS “State Medicaid Manual” instructs States to:

Report only expenditures for which all supporting documentation, in readily reviewable form, has been compiled and which is immediately available when the claim is filed. Your supporting documentation includes at minimum the following: date of service, name of recipient, Medicaid identification number, name of provider agency and person providing the service, nature, extent, or units of service, and the place of service. (Emphasis in the original.)

### **CMS-Approved DD Waiver Agreement**

The CMS-approved DD waiver agreement with Illinois states that all services will be furnished pursuant to a written plan of care and Federal Financial Participation will not

be claimed for waiver services which are not included in the individual written plan of care.

### **Illinois Administrative Code**

Title 59 Illinois Code, section 115.320(h)3(E), requires the provider to record and update as necessary information including physical and dental examinations, and medical history in an individual's record.

### **Illinois Waiver Manual**

The Illinois Waiver Manual, sections 850.00(c) and 1050(c), require the service provider to submit complete and accurate service reports and claims, and to maintain appropriate documentation (attendance reports, staff logs, etc.) establishing an audit trail for individuals receiving Medicaid HCBS through the waiver.

The Illinois Waiver Manual, section 1050.00(b), states that “. . . Hours when the individual is **not** participating in DT (developmental training) programmatic services are **not** billable.” (Emphasis in the original.)

## **UNALLOWABLE HOME AND COMMUNITY-BASED SERVICES**

### **Unallowable Payments**

During SFY 2005, we estimate that SDC received at least \$70,008 (\$35,004 Federal share) for Medicaid HCBS claimed that did not meet Federal and State requirements. Of the 3,214 services included within the 100 sampled beneficiary-months, 458 services totaling \$5,532 (\$2,766 Federal share) included in 49 beneficiary-months were unallowable because SDC did not provide the services or meet documentation requirements. Specifically, SDC claimed:

- 51 services, totaling \$1,477, that were not adequately documented by SDC to show that the HCBS were actually provided for 3 beneficiaries. SDC's documentation did not support its HCBS claims submitted for Medicaid reimbursement.
- 214 services, totaling \$524, for 14 beneficiaries who did not receive developmental training services during scheduled lunch periods. SDC staff confirmed that the beneficiaries did not require or receive developmental training services during these periods.
- 155 services, totaling \$483, for 17 beneficiaries who received less hours of developmental training than were claimed by SDC. SDC's attendance reports documented less hours of attendance than the number of hours claimed.
- 5 services, totaling \$150, for 5 beneficiaries on the same days that the beneficiaries traveled to other medical facilities and received other medical

services. SDC staff confirmed that the beneficiaries did not receive the claimed HCBS on those days.

- 33 services, totaling \$132, for 19 beneficiaries who were not present and did not receive developmental training at SDC because they were attending on-site medical appointments.

### **SDC Internal Controls**

SDC did not implement internal controls to ensure that it complied with Federal and State HCBS requirements. Specifically, SDC did not implement adequate internal controls to ensure it documented and claimed reimbursement only for allowable services actually provided.

### **RECOMMENDATIONS:**

We recommend that the State agency:

- refund \$35,004 to the Federal Government for unallowable HCBS in SFY 2005 and
- require SDC to implement internal controls to ensure it documents and claims reimbursement only for allowable HCBS actually provided in accordance with Federal and State requirements.

### **STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, the State agency did not address our first recommendation. In response to our second recommendation, the State agency plans to reissue guidance, which will be updated to address issues identified in this audit, to all providers. In addition, SDC plans to implement a computer system that will ensure that attendance records accurately reflect the type of service provided.

We continue to recommend that the State agency refund \$35,004 to the Federal Government.

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

# **APPENDIXES**

## **SAMPLING METHODOLOGY**

### **POPULATION**

The population included all home and community-based services (HCBS) with a Federal Financial Participation (FFP) component provided by Search Developmental Center (SDC) during State fiscal year (SFY) 2005 (July 1, 2004, through June 30, 2005).

### **SAMPLING FRAME**

The sampling frame was an Access database that consisted of 86,427 HCBS provided by SDC during SFY 2005 with payments totaling \$7.24 million (\$3.62 million Federal share). The 86,427 HCBS were sorted into 2,583 beneficiary-months. A beneficiary-month was defined as all HCBS for one beneficiary for one month.

### **SAMPLE UNIT**

The sampling unit was a beneficiary-month for which a HCBS with a FFP component was provided by SDC and claimed for Medicaid reimbursement during SFY 2005.

### **SAMPLE DESIGN**

From the 2,583 beneficiary-months, we selected a simple random sample of 100 beneficiary-months, which included 3,214 HCBS with payments totaling \$270,365 (\$135,182 Federal share).

### **SOURCE OF RANDOM NUMBERS**

The source of the random numbers was the Office of Inspector General, Office of Audit Service's statistical software. We used the random number generator for our simple random sample.

### **METHOD OF SELECTING RANDOM NUMBERS**

We consecutively numbered the sample units in the frame from 1 to 2,583. After generating 100 random numbers, we selected the corresponding frame items for our sample.

### **ESTIMATION METHODOLOGY**

We used the Office of Inspector General, Office of Audit Services statistical software to estimate the amount the State agency claimed for HCBS that did not comply with Federal and State requirements.



**SAMPLING RESULTS AND ESTIMATION**

Of the 100 sampled beneficiary-months, 49 beneficiary-months included unallowable HCBS totaling \$5,532 (\$2,766 Federal share). Using the lower limit of the 90-percent confidence interval, we estimate that the State agency claimed \$35,004 in Federal reimbursement during our audit period for HCBS that did not comply with Federal and State requirements.

<b>Estimates of Unallowable HCBS (Limits Calculated for a 90-Percent Confidence Interval)</b>		
	<b>Total Unallowable</b>	<b>Federal Share</b>
Point Estimate	\$142,899	\$71,449
Lower Limit	\$70,008	\$35,004
Upper Limit	\$215,789	\$107,895



Rod R. Blagojevich, Governor  
Barry S. Maram, Director

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Springfield, Illinois 62763-0002

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October 6, 2008

Department of Health and Human Services  
Office of Audit Services

Attn: Marc Gustafson, Regional Inspector General for Audit Services  
233 North Michigan Avenue, Suite 1360  
Chicago, Illinois 60601-5502

Re: Draft Audit Report No. 05-08-00060

Dear Mr. Gustafson:

Thank you for giving us an opportunity to comment on your draft audit report entitled "Review of Social Security Act Section 1915(c) HCBS Waiver Services at Search Development Center, Inc. for July 1, 2004 through June 30, 2005." As with the previous waiver provider audits, we appreciate the work performed by the Office of Inspector General auditors, especially the opportunity to meet and review with the auditors the individual findings.

We are pleased with the overall outcome of the Search Developmental Center (SDC) audit, specifically the positive findings regarding documentation in the residential program – the largest service type in the waiver program under review. We are also pleased with the relatively minor findings in the developmental training program and other HCBS services. This supports our belief that the documentation errors occur infrequently in these programs; however, we recognize the potential concerns the audit raised specifically in billing the lunch hour during the day program without documentation to support the need for this services. This concern has been addressed with this provider (see below).

In January of 2006 as a result of a statewide post payment review of day program billings by the Operating Agency - Department of Human Services (DHS) issued "Day Program Billing and Audit Trail Guidance" to all participating waiver providers. This notice informed providers about common errors and provided instruction on how to accurately document day program attendance. In light of the findings, we will reissue the day program guidance to all day program providers at the conclusion of this federal waiver audit. The guidance will be updated to address any issues raised in this waiver audit.

Since the close of the fiscal year under review (FY2005), the Department of Healthcare and Family Services and DHS have increased the number and types of oversight activities undertaken annually. In addition, we will use your findings to reiterate and clarify required policies and strengthen our administration of this program.

Specifically regarding the SDC findings, the agency implemented improved day program attendance records and internal controls since the period of the audit (FY2005). In addition, SDC plans to implement a wireless, web-based computer system that will be installed at all sites that will ensure when a participant in the day program receives any medical or other therapeutic services, that the attendance records will immediately and accurately reflect the type of service provided. This new tracking system will prevent

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billing multiple services for the same period of time. SDC staff shared their plans to implement this new system with federal auditors at the time of their site visit.

We look forward to the conclusion of this audit so that we might move forward with identifying systemic problems and determining how these will be addressed in a timely manner.

Thank you for the cordial working relationship we have enjoyed with your staff throughout the course of this audit and the other three audits.

Sincerely,

A handwritten signature in blue ink that reads "Barry S. Maramba". The signature is written in a cursive style with a large initial "B".

Barry S. Maram  
Director

cc: Carol L. Adams, Secretary, Department of Human Services