



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Region IX
Office of Audit Services
50 United Nations Plaza
Room 171
San Francisco, CA 94102

DEC - 8 2004

Report Number A-09-04-00036

Ms. Sandra Shewry
Director
California Department of Health Services
P.O. Box 997413, MS 4000
Sacramento, CA 95899-7413

Dear Ms. Shewry:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General final report entitled "Review of California's Internal Controls Over Costs Claimed for Medicaid Personal Care Services." Should you have any questions or comments concerning the matters commented on in this report, please direct them to the HHS official named below.

In accordance with 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 issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5). As such, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

Please refer to report number A-09-04-00036 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori A. Ahlstrand".

Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosures – as stated

Page 2 – Ms. Sandra Shewry

HHS Action Official:

Mr. Jeff Flick
Regional Administrator, Region IX
Centers for Medicare & Medicaid Services
Department of Health and Human Services
75 Hawthorne Street, 4th Floor
San Francisco, California 94105

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF CALIFORNIA'S INTERNAL
CONTROLS OVER COSTS CLAIMED
FOR MEDICAID PERSONAL CARE
SERVICES**



**DECEMBER 2004
A-09-04-00036**

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The OIG's Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the department.

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In accordance with 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 are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

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. Final determination on these matters will be made by authorized officials of the HHS divisions.

EXECUTIVE SUMMARY

BACKGROUND

Under the Medicaid program, States have the option to implement a personal care services program. The program provides benefits to individuals who have not been institutionalized but who require “hands on” services to remain safely in their homes. Personal care services include assistance with eating, dressing, personal hygiene, and other activities of daily living. Personal care service costs include costs for (1) wages and benefits to the personal care service providers and (2) administration of the program.

In the State of California (State), the Department of Health Services (Health Services) was designated as the Medicaid State agency. Health Services delegated management responsibility for the Medicaid Personal Care Services program to the Department of Social Services (Social Services), which managed the program through the counties. The counties ensured delivery of personal care services to eligible recipients.

OBJECTIVE

Our objective was to determine if the State had internal controls to ensure that costs claimed for the Medicaid Personal Care Services program for the period July 1, 2002, through June 30, 2003, were in accordance with Federal laws and regulations.

RESULTS OF AUDIT

Based on our limited review, the State had internal controls to ensure that costs claimed for the Medicaid Personal Care Services program were in accordance with Federal laws and regulations. The State had controls that authorized, recorded, and reported personal care service costs for provider wages and benefits and program administration. As a result of these controls, the program was better able to provide services to non-institutionalized individuals who required “hands on” services to remain safely in their homes.

In addition, the three counties we examined had internal controls to review and authorize individual provider time sheets related to personal care services. The time sheets documented time spent providing services that included assistance with eating, dressing, personal hygiene, and other activities of daily living.

INTRODUCTION

BACKGROUND

Medicaid Program

Title XIX of the Social Security Act (the Act) authorizes Federal grants to States for Medicaid programs that provide medical assistance to needy persons. Also, the Act provides the Centers for Medicare & Medicaid Services (CMS) the authority to approve States' plans for administering the Medicaid program. Each State Medicaid program is jointly financed by the Federal and State Governments and administered by the State in accordance with an approved State plan. While the State has considerable flexibility in designing its plan and operating its Medicaid program, it must comply with Federal requirements. The Federal Government pays its share of Medicaid expenditures to a State according to a formula.

Personal Care Services Program

Under the Medicaid program, States have the option to implement a personal care services program. The program provides benefits to individuals who have not been institutionalized but who require "hands on" services to remain safely in their homes. Personal care services include assistance with eating, dressing, personal hygiene, and other activities of daily living. Personal care service costs include costs for (1) wages and benefits to the personal care service providers and (2) administration of the program.

California Personal Care Services Program

Health Services, the designated Medicaid State agency, reported personal care service costs to CMS. Social Services, delegated responsibility by Health Services to manage the Medicaid Personal Care Services program, provided guidance to the counties and approved program costs incurred at the county level.

Each of California's 58 counties were responsible for ensuring the delivery of personal care services to eligible recipients. This responsibility included determining the eligibility of the recipients, conducting needs assessments, authorizing personal care services, and assisting recipients in locating personal care service providers. (Eligible recipients usually hired their own providers.) Also, county staff were responsible for reviewing and processing timesheets prepared by personal care service providers.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine if the State had internal controls to ensure that costs claimed for the Medicaid Personal Care Services program for the period July 1, 2002, through June 30, 2003, were in accordance with Federal laws and regulations.

Scope

We reviewed internal controls over costs claimed by the State for the Personal Care Services program for the period July 1, 2002, through June 30, 2003. We limited our review to the operations of the State and three selected counties (San Francisco, Alameda, and Sacramento). We selected these counties because they claimed the highest costs for the Medicaid Personal Care Services program excluding Los Angeles County. These three counties represented 17 percent of total costs claimed as of April 2003. The State claimed \$1,993,932,038 in total program costs, of which \$1,017,870,396 (51 percent) represented the Federal share. The remaining \$976,061,642 was paid by the State and counties.

We conducted fieldwork from March through August 2004 at the offices of Health Services and Social Services in Sacramento, CA, and at the county offices in San Francisco, Alameda, and Sacramento, CA.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations, including Title XIX of the Act, 42 CFR part 440, and applicable sections of the CMS State Medicaid Manual;
- reviewed policies and procedures relevant to personal care services, the California State plan, and the Social Services manual;
- interviewed officials at Health Services, Social Services, and the three counties;
- reviewed agreements between Health Services and Social Services;
- reviewed quarterly CMS-64 reports, line 23 - Personal Care Services for the period July 1, 2002, through June 30, 2003;
- reviewed internal controls related to the authorizing, recording, and reporting of personal care service costs by the counties and the State; and
- reviewed the individual provider timesheet authorization process at the three counties.

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

RESULTS OF AUDIT

Based on our limited review, the State had internal controls to ensure that costs claimed for the Medicaid Personal Care Services program were in accordance with Federal laws and regulations. The State had controls that authorized, recorded, and reported personal care service costs for provider wages and benefits and program administration. As a result of these controls, the

program was better able to provide services to non-institutionalized individuals who required “hands on” services to remain safely in their homes.

In addition, the three counties we examined had internal controls to review and authorize individual provider time sheets related to personal care services. The time sheets documented time spent providing services that included assistance with eating, dressing, personal hygiene, and other activities of daily living.