



Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

March 29, 2005

Report Number: A-01-04-00008

Mr. Joshua Slon
Director
Office of Vermont Health Access
State of Vermont
103 South Main Street
Waterbury, Vermont 05671-1201

Dear Mr. Slon:

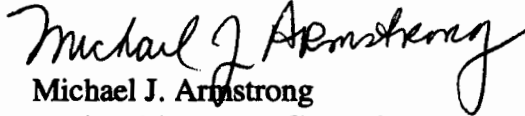
Enclosed are two copies of the Department of Health and Human Services, Office of Inspector General (OIG) report entitled "Audit of Medicaid Payments for Skilled Professional Medical Personnel Reimbursed at Enhanced Rates" for the period October 1, 2002 through September 30, 2003. A copy of this report will be forwarded to the action official named below 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 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.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent the information is not subject to exemptions in the Act which the Department chooses to exercise. (see 45 CFR Part 5.)

Please refer to Report Number A-01-04-00008 in all correspondence.

Sincerely yours,


Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures – as stated

Page 2 – Mr. Joshua Slen, Director

Direct Reply to HHS Action Official:

Charlotte Yeh, M.D.
Regional Administrator
Centers for Medicare & Medicaid Services – Region I
Department of Health and Human Services
Room 2325, JFK Federal Building
Boston, Massachusetts 02203

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF MEDICAID PAYMENTS FOR
SKILLED PROFESSIONAL MEDICAL
PERSONNEL REIMBURSED AT
ENHANCED RATES**

**OCTOBER 1, 2002 THROUGH
SEPTEMBER 30, 2003**

**OFFICE OF VERMONT
HEALTH ACCESS**



**MARCH 2005
A-01-04-00008**

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

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, Office of Audit Services 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. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

The Social Security Act provides Federal reimbursement to States for administrative costs necessary to properly administer their Medicaid State plans. In general, the Federal Government reimburses, or matches, State administrative costs at a rate of 50 percent.

Federal regulations provide an enhanced Medicaid matching rate of 75 percent for the compensation and training of skilled professional medical personnel and their supporting staff. In order for the enhanced matching rate to be available, skilled professional medical personnel must have completed a 2-year program leading to an academic degree or certificate in a medically related program and perform activities that require the use of their professional training and experience.

The Vermont Agency of Human Services, Office of Health Access (State agency) claimed Federal reimbursement of \$4,032,778 at the 75 percent enhanced rate for skilled professional medical personnel for the Federal fiscal year ended September 30, 2003.

OBJECTIVE

The objective of the audit was to determine if the State agency properly claimed Federal Medicaid funding at the enhanced rate for eligible skilled professional medical personnel.

FINDINGS

The State agency improperly claimed:

- \$221,742 for 30 employees who were not eligible at the enhanced funding rate of 75 percent but should have been claimed at the 50 percent matching rate,
- \$21,618 for other operating costs which were not eligible at the enhanced funding rate of 75 percent but should have been claimed at the 50 percent matching rate, and
- \$18,859 for portions of the salaries of 5 positions claimed at the enhanced funding rate of 75 percent but which should not have been charged to the Medicaid program.

As a result, the State's Federal share of the claim was overstated by \$262,219.

The State claimed these costs because it did not have adequate procedures in place to ensure that only eligible individuals and allowable expenses were claimed for enhanced

Federal funding in accordance with Federal regulations. In addition, the State agency did not ensure that other costs claimed were appropriate charges to the Medicaid program.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal government \$243,360 for the Federal share of unallowable Medicaid costs associated with individuals and other expenses improperly claimed at the Federal enhanced rate and \$18,859 for other costs that were inappropriately charged to the Medicaid program, and
- implement procedures and maintain appropriate documentation to ensure that future claims for costs related to for skilled professional medical personnel are eligible for the enhanced Federal funding rate.

STATE COMMENTS

In response to the draft report, dated March 22, 2005, State officials agreed with our recommendations and indicated that they have implemented procedures to correct the issues identified in the report. The response also noted that the State did a separate review of the claim for enhanced funding for Federal fiscal year 2004 and self-disclosed that costs were similarly overstated for fiscal year 2004. State officials indicated that an adjustment will be made in the March 2005 CMS-64 quarterly report of expenditures to reduce the Federal share of the claim for enhanced funding by a total of \$524,438.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
BACKGROUND	1
OBJECTIVES, SCOPE, AND METHODOLOGY	1
Objective	1
Scope	1
Methodology	1
FINDINGS AND RECOMMENDATIONS	2
FEDERAL REGULATIONS	2
REIMBURSEMENT AT ENHANCED RATE FOR INELIGIBLE PERSONNEL	3
OTHER COSTS INELIGIBLE FOR REIMBURSEMENT AT ENHANCED RATE	5
COSTS INAPPROPRIATELY CHARGED TO MEDICAID	5
CAUSES OF UNALLOWABLE CLAIMS	5
RECOMMENDATIONS	6
STATE COMMENTS	6
APPENDIX	
STATE OF VERMONT WRITTEN COMMENTS	

INTRODUCTION

BACKGROUND

The Social Security Act provides Federal reimbursement to States for administrative costs necessary to properly administer their Medicaid State plans. In general, the Federal Government reimburses, or matches, State administrative costs at a rate of 50 percent.

Federal regulations provide an enhanced Medicaid matching rate of 75 percent for the compensation and training of skilled professional medical personnel and their supporting staff. In order for the enhanced matching rate to be available, skilled professional medical personnel must have completed a 2-year program leading to an academic degree or certificate in a medically related program and perform activities that require the use of their professional training and experience.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of the audit was to determine if the State agency properly claimed Federal Medicaid funding at the enhanced rate for eligible skilled professional medical personnel.

Scope

We reviewed the State agency's claim for Federal matching funds for skilled professional medical personnel totaling \$4,032,778 for the period October 1, 2002 through September 30, 2003.

Our review was limited to determining whether the enhanced Federal matching funds claimed for skilled professional medical personnel were allowable. We did not perform a detailed review of the State agency's internal controls. Our review of internal controls was limited to obtaining an understanding of the State agency's policies and procedures used to claim skilled professional medical personnel costs.

Methodology

To accomplish the audit objective, we:

- reviewed applicable Federal regulations and Centers for Medicare & Medicaid Services guidance,
- reviewed State agency procedures for claiming skilled professional medical personnel costs,
- obtained supporting documentation from the State agency pertaining to the relevant paid claim, and

- interviewed individuals claimed as skilled professional medical personnel.

Our fieldwork was performed at the Medicaid State agency from March through June 2004. The audit was performed in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The State agency improperly claimed:

- \$221,742 for 30 employees who were not eligible at the enhanced funding rate of 75 percent but should have been claimed at the 50 percent matching rate,
- \$21,618 for other operating costs which were not eligible at the enhanced funding rate of 75 percent but should have been claimed at the 50 percent matching rate, and
- \$18,859 for portions of the salaries of 5 positions claimed at the enhanced funding rate of 75 percent but which should not have been charged to the Medicaid program.

As a result, the State's Federal share of the claim was overstated by \$262,219.

The State claimed these costs because it did not have adequate procedures in place to ensure that only qualified individuals and eligible expenses were claimed for enhanced Federal funding in accordance with Federal regulations. In addition, the State agency did not ensure that other costs claimed were appropriate charges to the Medicaid program.

FEDERAL REGULATIONS

Skilled professional medical personnel are defined in 42 CFR §432.2 as:

...physicians, dentists, nurses, and other specialized personnel who have professional education and training in the field of medical care or appropriate medical practice...It does not include other nonmedical health professionals such as...senior managers or administrators of public assistance programs or the Medicaid program.

Section 1903(a)(2) of the Social Security Act provides that States are entitled to an amount equal to 75 percent of sums expended for compensation or training of skilled professional medical personnel and staff supporting such personnel.

42 CFR 432.50(d)(1) states that the rate of 75 percent Federal financial participation is available for skilled professional medical personnel and directly supporting staff if:

- (i) The expenditures are for activities that are directly related to the administration of the Medicaid program...
- (ii) The skilled professional medical personnel have...education and training in the field of medical care or appropriate medical practice...demonstrated by possession of a medical license, certificate, or other document issued by a recognized National or State...professional medical organization.
- (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.
- (v) The directly supporting staff are...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 performance of the supporting staff's work.

In addition to these requirements, in January 1992, Medicaid State Operations Letter # 92-1 was issued to all Medicaid State agencies to address educational qualification requirements for social workers claimed for enhanced funding. The letter states that:

State agencies must show that social workers' education and training in social work specifically includes health care and/or medical applications... There must be a clear distinction between the master's degree, which need not have any medical focus, and the MSW [Masters of Social Work] degree plus additional medical course work which would satisfy the language of the regulation.

Departmental Appeals Board (DAB) Decision No. 1434, issued in August 1993, affirmed that the educational requirements cited in the above letter must be met for social workers to be eligible for reimbursement at the Federal enhanced rate of 75 percent.

REIMBURSEMENT AT ENHANCED RATE FOR INELIGIBLE PERSONNEL

The State agency claimed enhanced Federal reimbursement of \$665,225 for 30 employees improperly classified as skilled professional medical personnel. We found that these personnel did not qualify for enhanced funding. Instead, the State agency should have been reimbursed at the 50 percent rate of Federal funding, or \$443,483. As a result, the Federal claim for these employees was overstated by \$221,742. They included:

- 13 individuals whose job functions did not require skilled professional medical knowledge,
- 10 individuals who did not possess the required professional training and educational requirements, and
- 7 clerical staff and administrative assistants who were not directly working for skilled professional medical personnel or were otherwise not eligible for enhanced Federal funding.

Skilled Professional Medical Knowledge Not Required

The State agency claimed enhanced reimbursement of \$418,577 for 13 individuals whose job functions did not require medical expertise. These individuals included 4 administrators of State health programs and senior managers. As previously noted, the term “skilled professional medical personnel” is not meant to include administrators or senior managers of public assistance or Medicaid programs. As such, 75 percent Federal matching is not available for these personnel.

The 9 other positions had minimum job requirements of a bachelor’s degree and did not require medical licensing or certification. As such, these positions were not allowable for enhanced funding.

Lack of Professional Training and Education

The State agency claimed enhanced reimbursement of \$205,120 for 10 individuals who did not meet the professional training and education requirements for enhanced funding.

We found 3 social workers who did not have the required master’s degree in social work and 5 other social workers who had master’s degrees, but the State agency did not provide documentation to verify that their graduate course work included the required medical specialization. As noted previously, Medicaid State Operations Letter #92-1, affirmed by DAB Decision No. 1434, requires social workers to have a master’s degree in social work that includes a specialization in clinical practice, health care practice, other medical application, or its equivalent in order to be claimed as skilled professional medical personnel.

The State agency also claimed enhanced reimbursement for 1 individual whose medical license had lapsed and 1 individual for which it did not provide evidence of medical licensing.

Support Staff Not Eligible for Enhanced Funding

The State agency claimed enhanced reimbursement of \$41,528 related to 7 clerical staff and administrative assistants who were either not providing support for or being directly

supervised by skilled professional medical personnel or were otherwise ineligible for enhanced Federal funding.

The clerical staff worked directly for employees whose positions did not require medical expertise and, therefore, did not qualify as skilled professional medical personnel. Regarding the administrative assistants, the CMS Title XIX Financial Management Review Guide states that support staff: "...does not include the costs of other subprofessional staff (e.g., administrative assistants...) not performing clerical functions." The job descriptions for the administrative assistants illustrated that the functions they performed were above the level of clerical staff.

OTHER COSTS INELIGIBLE FOR REIMBURSEMENT AT ENHANCED RATE

The State agency claimed \$64,852 for other operating costs not eligible for enhanced funding. The costs included supplies, contracts and meetings, travel not related to skilled professional medical personnel and other miscellaneous expenses. According to the CMS Title XIX Financial Management Review Guide "...operating expenses, such as rent and supplies...only qualify for 50 percent FFP." The State agency should have claimed these costs at the 50 percent rate of Federal funding, or \$43,234. Therefore, the State's claim for Federal funds was overstated by \$21,618.

COSTS INAPPROPRIATELY CHARGED TO MEDICIAD

The State agency claimed enhanced reimbursement of \$18,859 for a portion of the salary costs related to the following:

- 4 positions that were budgeted but not filled for subcontract work with the University of Vermont, and
- 1 individual who was a nutritionist working in a non-Medicaid U.S. Department of Agriculture funded program.

These costs should not have been charged to the Medicaid program.

CAUSES OF UNALLOWABLE CLAIMS

The State agency claimed 75 percent enhanced Federal funding of \$665,225 for 30 employees inappropriately classified as skilled professional medical personnel and \$64,852 for other operating costs not eligible for enhanced funding. These costs should have been claimed at the 50 percent Federal funding rate, or \$443,483 and \$43,234, respectively. We are recommending disallowance of \$243,360, the 25 percent enhanced portion of the claim.

The State agency also claimed enhanced Federal funding totaling \$18,859 for 4 budgeted positions and 1 individual that should not have been charged to the Medicaid program. We are recommending disallowance of the entire amount claimed for Federal funding.

The State agency did not have adequate procedures in place to ensure that only qualified individuals and other expenses were claimed as costs related to skilled professional medical personnel. In addition, the State agency did not ensure that all costs claimed were appropriate charges to the Medicaid program.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal government \$243,360 for the Federal share of unallowable Medicaid costs associated with individuals and other expenses improperly claimed at the Federal enhanced rate and \$18,859 for other costs that were inappropriately charged to the Medicaid program, and
- implement procedures and maintain appropriate documentation to ensure that future claims for costs related to skilled professional medical personnel are eligible for the enhanced Federal funding rate.

STATE COMMENTS

In written response to the draft report, dated March 22, 2005, State officials agreed with our recommendations and indicated that they have implemented procedures to correct the issues identified in the report. The response also noted that the State performed a separate review of the enhanced funding claim for the fiscal year subsequent to our audit period and self-disclosed that the same costs were inappropriately claimed in Federal fiscal year 2004. State officials indicated that an adjustment will be made in the March 2005 CMS-64 quarterly report of expenditures to reduce the Federal share of the claim for enhanced funding by a total of \$524,438.

APPENDIX



State of Vermont
Agency of Human Services
Office of Vermont Health Access

103 South Main Street
Waterbury, Vermont 05671-1201
(802) 879-5900

March 22, 2005

Mr. Michael J. Armstrong,
Regional Inspector General
Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203

Re: Report Number A-01-04-00008

Dear Mr. Armstrong,

I am writing in response to letter of February 3, 2005 referring to the "Audit of Payments for Skilled Professional Medical Personnel Reimbursed at Enhanced Rates – Vermont Agency of Human Services". The period covered in the audit is FFY'03. The agency appreciates the feedback and is responding to the findings with this letter.

On the three findings noted in the letter, we understand the findings, and have incorporated the two recommendations in Vermont's Corrective Action Plan. Our plan includes the following:

- (1) In September 2004, the Vt. Agency of Human Services contracted with Public Consulting Group, Inc. (PCG) of Boston, MA to update our Cost Allocation Plan. As part of the documentation, we required PCG to take the draft audit findings and correct the specified errors. We also asked them to evaluate the existing cost centers to determine if people were being properly charged. There were no additional deficiencies noted in their review. This summer, PCG will be updating all procedures and manuals to reflect the new Cost Allocation Plans. All new documentation will be in place for FFY'06.
- (2) Vermont AHS will adjust the CMS 64 for over claims totaling \$262,219 for each FFY'03 and FFY'04. The total of \$524,438 will be adjusted on the second quarter FFY'05 report. We have implemented procedures with PCG to correct the issues identified in the report. We are confident that all FFY'05 reports will meet the requirements of the recommendations.

We hope that these actions will resolve all the outstanding issues identified in the OIG Report. If you have further questions, you can contact Ira Sollace or Allan Merritt at

802-241-2950. Again, we appreciate your efforts and look forward to working with you in the future.

Sincerely,



Joshua Slon
Director
Office of Vermont Health Access

cc Dave Yacovone, AHS
Ira Sollace, AHS
Allan Merritt, AHS
Nancy Clermont, OVHA
Howard Rice, OVHA
Patrick Burke, VDH
Tom Ciaraldi, VDH
Jim Giffin, DAIL
Tanya Donaghy, AHS
Carol Butts, AHS

ACKNOWLEDGMENTS

This report was prepared under the direction of Michael J. Armstrong, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

Robert Champagne, *Audit Manager*

Michael Grip, *Auditor*

Richard Ziencina, *Auditor*

For information or copies of this report, please contact the Office of Inspector General's Public Affairs office at (202) 619-1343.