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OFFICE OF THE STATE COMPTROLLER

June 20, 2002

Antonia C. Novello, M.D., M.P.H., Dr. P.H.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, N.Y. 12237

Mr. Richard Mills
Commissioner
State Education Department
State Education Building
Albany, NY 12234

Re: Report 2002-F-14

Dear Dr. Novello and Mr. Mills:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed actions taken by the Department of Health (Health) and the State Education Department (Education) as of May 29, 2002, to implement the recommendations contained in our audit report, *Controlling Medicaid Payments for School and Preschool Supportive Health Services* (Report 2000-S-1). Our report, which was issued on January 18, 2001, reviewed claims paid for Medicaid recipients that received services under the School and Preschool Supportive Health Services Programs.

Background

The Federal Individuals with Disabilities Education Act (IDEA) requires states to provide appropriate special education and related services to children with, or suspected of having, disabilities. In 1988, Section 1903(c) of Title XIX of the Federal Social Security Act was passed, allowing states to supplement allocated state funds for these services with Medicaid dollars. Prior to 1988, all costs to the states for providing these services were funded through state educational resources.

Sections 368(d) and (e) of the New York State Social Services Law authorize the use of Medicaid funds for the School Supportive Health Services (School) and Preschool Supportive Health Services (Preschool) programs, respectively. The School and Preschool programs were developed jointly by Health and Education to assist school districts and counties in obtaining Medicaid reimbursement for certain diagnostic and health support services provided to students with, or suspected of having, disabilities. In general, under the School program, students from 5 to 21 years old receive special education services from their local school district. Under the Preschool program, 3 to 4 year old children receive special education services through their county offices. The services provided by both programs include physical therapy, occupational therapy, speech pathology/therapy (including evaluations), psychological counseling, skilled nursing, basic and comprehensive psychological evaluations, medical and audiological evaluations, and transportation.

Summary Conclusion

In our prior audit, we found that the Medicaid program may have inappropriately made between \$33 million and \$37.1 million of School and Preschool payments during the period January 1, 1997 through December 31, 1999. Most of the overpayments were attributed to a control weakness that occurred during calendar year 1997 at the New York City Board of Education, which is responsible for submitting claims from New York City to the Medicaid Management Information System (MMIS).

In our follow-up review, we determined that Health and Education officials have made significant progress in implementing the recommendations contained in our prior audit report. According to Health and Education officials, more than \$30.8 million in overpayments has been recovered. Health officials are still investigating additional claims totaling more than \$2.1 million to determine the appropriateness of the payments.

Summary of Status of Prior Audit Recommendations

Health and Education officials have implemented all four of the recommendations contained in the prior audit report.

Follow-up Observations

Recommendation 1

To Health and Education:

Establish procedures to monitor Medicaid billings for duplicate claims between the School and Preschool programs and investigate the feasibility of implementing MMIS computer edits to prevent future payment of these claims.

Status – Implemented

Agency Action – According to Health officials, edits have been placed into the claims processing systems at the Central New York Regional Information Center and the New York City Board

of Education to prevent duplicate payments from occurring. These claims processing systems are used to pre-screen School and Preschool claims prior to submission to MMIS. Health officials indicated they have not implemented edits in MMIS because of both the substantial amount of development time needed to make changes to the current legacy system and concerns that such edits would cause valid clinic claims to be rejected during claims processing. Health has developed exception reports that will be produced periodically to determine if inappropriate claims are being paid.

Recommendation 2

To Health:

Investigate and recoup inappropriate School and Preschool Medicaid payments for:

- *Duplicate payments between programs;*
- *Excessive TCM (targeted case management) services; and*
- *Duplicate payments made to different providers within the same program.*

Status – Implemented

Agency Action – Health has identified potentially inappropriate duplicate School and Preschool claims totaling between \$30.9 million and \$35 million and recovered \$30.6 million of these overpayments. Investigation by Health officials of excessive billing of more than \$1.9 million for TCM services is ongoing. Seventeen TCM providers were contacted and Health determined that about 50 percent of the affected claims for these providers were correct, although in many instances incorrect rate codes were billed. Health officials are working to develop an adjustment mechanism to correct the historical records of these claims without adversely impacting the provider. Health's investigation of \$435,757 of duplicate payments made to different providers within the same program found that half of the duplicate claims were submitted by the New York City Board of Education. The New York City Board of Education determined these claims were likely submitted due to a billing system's error. All of these claims were subsequently voided by the New York City Board of Education, resulting in a recovery of \$246,335. The remaining claims billed by other School and Preschool providers totaling \$189,422 are still under investigation by Health.

Recommendation 3

To Health:

Implement procedures to monitor Medicaid billings for TCM claims to detect inappropriate Medicaid payments for TCM services.

Status – Implemented

Agency Action – Health has implemented edits within the Central New York Regional Information Center and the New York City Board of Education claims processing systems to prevent

inappropriate Medicaid payments for TCM services from occurring. Health has determined that it would not be feasible to implement an edit in the current legacy MMIS. Health has developed exception reports to determine if any inappropriate TCM claims are being paid. These reports will be produced periodically.

Recommendation 4

To Health:

Investigate to determine the reason the MMIS near duplicate computer edit did not detect and prevent Medicaid payments to more than one school district or county for the same recipient, service or rate code, and date of service.

Status – Implemented

Agency Action – According to Health officials, the near duplicate edit (Edit 727) was turned off to prevent valid clinic claims, paid for the same recipient, on the same date of service from being rejected. Health officials also indicated that they plan to develop exception reports to identify potentially inappropriate claims that are paid due to the inactivation of Edit 727.

Major contributors to this report were Kenneth Shulman, William Clynes, Gabriel Deyo and William Warner.

We wish to thank Health’s and Education’s management and staff for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Kevin M. McClune
Audit Director

cc: Deirdre A. Taylor