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April 21, 2003

Antonia C. Novello, MD, MPH, Dr. PH  
Commissioner  
Department of Health  
Corning Tower  
Empire State Plaza  
Albany, New York 12237

Mr. Richard P. Mills  
Commissioner  
State Education Department  
State Education Building  
Albany, New York 12234

Re: Report 2003-F-2

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 the actions taken by officials of the Department of Health (DOH) and the State Education Department (SED) as of March 11, 2003 to implement the recommendations contained in our audit report, *Duplicate Medicaid Payments to School Districts and Counties for School and Preschool Supportive Health Services Claims* (2001-S-11). Our report, which was issued on November 1, 2001, reviewed DOH's and SED's practices for controlling Medicaid payments made to providers through 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 disabilities or special needs. 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 and Preschool Supportive Health Services programs. The goal of these programs is to help school districts and counties obtain Medicaid reimbursement for certain diagnostic and health support services provided to students with disabilities or special needs. In the School program, students aged 5 to 21 years receive special

education services from their school districts. In the Preschool program, students aged three to four years receive special education services through the counties.

DOH is responsible for administering the State's Medicaid program and for ensuring the accuracy and appropriateness of Medicaid payments. It uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process and pay Medicaid claims. To identify incorrect or inappropriate payments, claims are processed against computer edits within MMIS. Annually, about \$635 million in payments are made through the MMIS for both School and Preschool services in New York.

SED is responsible for monitoring the School and Preschool programs to ensure that school districts and counties comply with the requirements of the federal IDEA and that the special education needs of the children of New York are met. School and Preschool services are diagnostic, evaluative and supportive services that meet students' specific health related support service needs. School and Preschool services are provided by, or under, the direction of an appropriate health practitioner who must assure that the services are medically appropriate. Practitioners can be employees of the school districts or counties, or can be under contract to school districts and counties to provide these services. When school staff members provide Medicaid-eligible students with services, the school district or county bills Medicaid directly for reimbursement. The New York City (NYC) Board of Education bills Medicaid on behalf of New York City's various school districts and counties. Generally, when contractors provide the services, the contractor bills the school district or county, which reimburses the provider for the service. The school district or county then bills Medicaid for reimbursement.

These billing practices are not required for facilities established by Article 28 of the Public Health Law. Article 28 facilities are engaged in the prevention, diagnosis and treatment of human disease, pain, injury, deformity or physical condition. DOH allows an Article 28 facility, which can be a hospital, public health center, or diagnosis and treatment center such as a clinic operated by the United Cerebral Palsy Centers, to bill Medicaid directly for services included in a student's Individualized Education Program. Either the county or Article 28 facility can bill Medicaid for Preschool services.

### **Summary Conclusions**

In our prior audit, we identified over 7,800 School and Preschool claims totaling \$3.4 million in which school districts and counties billed for services that may have duplicated Article 28 services billed during the same time period. We asked officials of the NYC Board of Education and the Albany City School District to review their respective claims, since their claims totaled almost \$2.2 million, or 64 percent of the payments in question. Of this \$2.2 million, school district officials confirmed that approximately \$1.2 million duplicated Article 28 billings for the same services. Of the remaining \$1 million, \$130,000 in payments were correct. The NYC Board of Education and SED had not reviewed \$840,000 in payments by the close of our prior audit.

In addition to the \$840,000 in payments from the NYC Board of Education that had not been reviewed, another \$1.23 million in duplicate Medicaid payments may have been made to other school districts and counties. Considering the number of duplicate payments we identified as paid

through the NYC Board of Education and Albany City School District, we recommended that DOH and SED officials should investigate these remaining Medicaid payments totaling \$2.07 million (\$840,000 plus \$1.23 million) to determine whether these payments duplicated Article 28 billings.

In our follow-up review, we found that the DOH and SED officials have made significant progress in implementing the recommendations contained in our prior audit report. DOH investigated school districts with greater than \$10,000 in claims and counties with greater than \$3,000 in claims, for a total of \$2.9 million in Medicaid claims. According to DOH officials, it was not cost effective to investigate the remaining claims. As a result of these reviews, DOH requested providers to void \$1,775,295 of claims and determined that the remaining claims totaling \$1.2 million did not contain any overpayments. According to DOH officials, providers have voided \$1,693,333 of the \$1,775,295 in claims and are in the process of voiding the remaining \$81,962.

### **Summary of Status of Prior Audit Recommendations**

DOH and SED officials have implemented all four of our prior recommendations.

### **Follow-up Observations**

#### **Recommendations 1 and 2**

*Recover the \$1.2 million in duplicate Medicaid payments and void the appropriate claims.*

*Investigate the remaining \$2.07 million of Medicaid payments that may have duplicated Article 28 billings. Recover duplicate payments and void the appropriate claims.*

Status – Implemented

Agency Action – As noted above, DOH did not investigate the claims of school districts with less than \$10,000 in claims and counties with less than \$3,000 in claims. Based on DOH's review of \$2.9 million in claims, officials requested that providers void \$1,775,295 of claims and determined that \$1.2 million of claims were not duplicate payments. To date, providers have voided \$1,693,333 of the \$1,775,295 and are in the process of voiding the remaining \$81,962.

#### **Recommendation 3**

*Develop controls to prevent duplicate Medicaid payments for services provided through the School and Preschool Supportive Health Services programs.*

Status – Implemented

Agency Action – DOH developed computer programs to enable staff to identify potential duplicate payments. DOH plans to use these programs on a post-audit basis to identify duplicate

Medicaid payments for services provided through the School and Preschool Supportive Health Services programs and Article 28 licensed facilities.

Further, SED officials stated that the New York City Board of Education placed an internal edit on its computer system that would prevent SED from submitting any claims when a student is placed in an education program run by an Article 28 licensed facility.

**Recommendation 4**

*Instruct school districts and counties in proper billing practices.*

Status – Implemented

Agency Action – SED officials have conducted seminars in counties throughout the State once or twice a year. Between August 2002 and February 2003, seminars were held in 25 counties. School districts or counties can also request instruction from SED officials. Additionally, SED has placed an updated version of the Medicaid Billing/Claiming Handbook on its website for providers to access when they have questions.

Major contributors to this report were Ken Shulman, Bill Clynes, Don Paupini and Casey O'Connor.

We also thank the management and staff of DOH and SED for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Kevin M. McClune  
Audit Director

cc: Deirdre A. Taylor