



Chatham Central School District

Medicaid Revenue Enhancements

Report of Examination

Period Covered:

July 1, 2008 — April 15, 2010

2010M-98



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2010

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Chatham Central School District, entitled Medicaid Revenue Enhancements. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's Authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Chatham Central School District (District) is located in the Town of Chatham, Columbia County. The District is governed by the Board of Education (Board), which comprises nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

There are three school buildings in operation within the District, with 1,293 students attending these schools during the 2008-09 school year. The District's budgeted general fund expenditures for the 2009-10 fiscal year are approximately \$27 million, funded primarily with State aid, real property taxes and grants. For the year ended June 30, 2009, Medicaid revenues were \$80,716.

The District, like other school districts statewide, can obtain partial Federal reimbursement for many special education services provided to Medicaid-eligible students by submitting periodic claims to the New York State Department of Health documenting the services provided. Claims must be supported by documentation of the services delivered to students, and submitted within two years of the date that services were provided. School districts receive Federal reimbursements of approximately 50 percent of the approved claim amounts, with 25 percent of the revenues retained by New York State through deductions from future State aid payments.

Objective

The objective of our audit was to examine District operations and determine if there were areas for operational improvements. Our audit addresses the following related question:

- Could District revenues be enhanced through improving the claiming process of special education services provided to Medicaid-eligible students?

Scope and Methodology

We examined the District's Medicaid reimbursement system to determine if there were revenue-enhancement opportunities for the period July 1, 2008 through April 15, 2010. Because of impending changes in the Medicaid regulations, we limited our scope for revenue enhancement opportunities to the claiming process for the fiscal year ended June 30, 2009.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on

such standards and the methodology used in performing this audit is included in Appendix C of this report.

**Comments of District
Officials and Corrective
Action**

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. Appendix B includes our comments on issues raised in the District officials' response letter.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Medicaid Reimbursement

The New York State Medicaid Plan (State Plan) is the contract between New York State and the Federal government, whereby New York State agrees to administer the Medicaid program in accordance with Federal law and policy. The State Plan sets forth the scope of the Medicaid program, including groups covered, services furnished and payment policy. The Medicare Catastrophic Act of 1988 made it possible for school districts to obtain partial Medicaid reimbursement for many special education services that they provide to Medicaid-eligible students. The State Education Department and the Department of Health (DOH) jointly established the School Supportive Health Services Program (SSHSP) to help school districts obtain Medicaid reimbursement for diagnostic and health support services provided to eligible students with individual education plans (IEPs), and for case management review, which includes coordinating medical and non-medical procedures for students.

To administer the SSHSP, DOH has developed a Medicaid Claiming/Billing Handbook with a monthly fee schedule for reimbursable services. Using the fee schedule, districts can submit claims to Medicaid for the gross amounts eligible for reimbursement. Districts must ensure that claims are supported by documentation of the services provided to students, and submit the claims within two years of the date services were provided. The districts receive Federal revenues of approximately 50 percent of the approved claim amounts. Because the State is due one-half of the Medicaid reimbursements (25 percent of the approved claim) sent to the districts, the State withholds its share from the districts' future State aid. To ensure that all Medicaid revenues are received, it is essential that District officials monitor the claiming process for reimbursable special education services.

District officials need to improve the monitoring of the Medicaid claims process to ensure that all eligible services are submitted for reimbursement. As a result, the District could have realized revenue enhancements of up to \$13,218 in Medicaid reimbursements for IEP services and Targeted Case Management (TCM) reviews by submitting properly documented claims for these services.¹ In addition, it is likely that the State would have realized revenues of the same amount if the District submitted proper claims for these services.

¹ Documents provided to us subsequent to the completion of our initial fieldwork indicate that the District has begun to address these issues.

Potential Revenue Enhancements From Medicaid Claims Fiscal Year July 1, 2008 - June 30, 2009		
	Potential Claim Amount	District's 25% Share
IEP Services Scheduled and Provided But Not Claimed	\$21,942	\$5,486
IEP Services Scheduled But Not Documented That They Were Provided	\$26,576	\$6,644
Subtotal	\$48,518	\$12,130
TCM Review Reimbursements Not Yet Claimed	\$4,353	\$1,088
Total	\$52,871	\$13,218

During our fieldwork, the State had not developed a new State Plan Amendment for the 2009-10 fiscal year. Therefore, the District was unable to submit such claims for reimbursement. However, if the deficiencies we found in the District's Medicaid reimbursement procedures for 2008-09 continued to exist for the 2009-10 fiscal year and the reimbursement criteria does not significantly change, it is likely that the District will again under-claim its Medicaid reimbursements.

IEP-Related Services — IEP-related services that are eligible for Medicaid reimbursement under the SSHSP include physical and occupational therapy, speech therapy, psychological counseling, and skilled nursing services. To submit a claim for reimbursement for the costs to provide IEP-related services, the District must document that the services were performed and have evidence of parental consent.

We reviewed the case records for 39 Medicaid-eligible students² with IEPs to identify the services provided and to verify that supporting documentation for services provided was adequate. We also reviewed the District's Medicaid claims to determine whether District officials claimed reimbursements for these related services. We found that there were additional authorized services totaling \$48,518 which the District could have potentially claimed and which would have resulted in \$12,130 (25 percent) of additional Medicaid revenue to the District. This total includes \$21,942 for services scheduled and provided but not claimed, and \$26,576 for services scheduled but not documented that they were provided.

In those cases totaling \$21,942, where services were scheduled and provided but not claimed, the available documentation did not always provide service dates, indicate that the service was actually provided,

² This represented 100 percent of the District's Medicaid-eligible special education students.

and/or include progress notes. Because service dates were not documented, the District could not properly claim for reimbursement of these otherwise-eligible expenditures. If District officials were to obtain all the required documentation for these IEP-related services, the District may be able to submit claims for an additional \$21,942 of Federal reimbursement. Once approved, these claims would result in additional revenues of \$5,486 for the District.

In those cases totaling \$26,576 where services were scheduled but not documented that they were provided, we found that readily available documentation either did not provide service dates, did not indicate that the full service was actually provided, or had incomplete parental consent documentation. Because there was no documentation that the scheduled services were actually provided, the District could not properly claim for reimbursement for these services. If District officials were to verify that the scheduled services were provided and obtain the required documentation, the District may be able to submit additional claims for up to \$26,576 of Federal reimbursement. Once approved, these claims could result in additional revenues of up to \$6,644 for the District.

TCM Case Reviews³ — TCM coordinates medical and non-medical procedures for students and includes both initial and periodic case reviews. The TCM review process begins when a student is referred to his or her district’s Committee for Special Education (CSE). Districts may seek reimbursement for the total number of students referred to the CSE, regardless of whether the CSE decides to classify the students as needing special education. The CSE is required to hold meetings at least annually to discuss each referred student’s needs.

We reviewed the District’s Medicaid claims to determine whether District officials claimed reimbursements for TCM reviews. The District did not submit claims for reimbursements related to 13 student reviews. Because District officials did not submit claims for 13 eligible student reviews, the District incurred related costs of \$4,353 that were not reimbursed. If District officials were to properly submit claims for this additional \$4,353 of Federal reimbursement, once approved, these claims would result in additional revenues of approximately \$1,088 for the District.

Recommendations

1. District officials should monitor the Medicaid claims process to ensure that all eligible services are properly documented and that related claims are prepared in compliance with Medicaid regulations and submitted in a timely manner.

³ Case reviews include annual, amended/request reviews, and reevaluations every three years.

2. District officials should ensure that the service dates for all Medicaid-eligible services are properly documented and that parental consent forms are on file for each year that services are required.
3. District officials should ensure that services are provided as scheduled in approved IEPs.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

The response letter references an attachment that supports the response letter. Because the response letter provides sufficient detail of District officials' actions, we did not include the attachment in Appendix A.



September 23, 2010

Mr. Ken Madej
Chief Examiner-Albany Regional Office
Office of the State Comptroller
22 Computer Drive West
Albany, NY 12205-1695

Re: Response to Medicaid Audit

The Chatham Central School District's 2008-9 Medicaid records were audited by staff from the Comptroller's Office beginning 4/19/10, concluding with a draft report on 8/27/10. During the audit period, District staff continued to follow standard practices for collection of Medicaid information and submission of requests for reimbursement for allowable Medicaid services provided through the District. The District takes fiduciary responsibilities seriously and welcomes opportunities to maximize legitimate revenue sources.

The Comptroller's staff established the purpose of the audit to be assisting the District in maximizing revenues from Medicaid. To that end, the draft report identified three areas that the audit staff suggested the District examine as potential areas to increase revenues from Medicaid funding.

The Comptroller's draft report identified \$26,576. "potential claim amount" that might have resulted in \$6,644. "District share" for services which were authorized for students, but were not billed to Medicaid. The Comptroller's Office identified these funds as revenue the District could have realized if all allowable services had been delivered, documented and billed. The claims identified under this category were services that were not provided and were therefore not claimed, or those that were not able to be claimed due to lacking some part of the multiple records required to support claims. Examples of items cited in this area include: children who were absent from school and therefore did not receive a service, claims that were not able to be filed because parents refused to provide annual written consent to allow the District to bill for Medicaid, students who did not receive a service because their class was out of the building on a field trip, children who were not eligible for Medicaid and students who did not ride the bus both to and from school on a date they received a Medicaid service, such as when students are transported by parents or stay after school for an activity. These are just a few examples of why claims in this category were not submitted and this attests to the careful and lawful adherence to Medicaid regulations by District staff. Had the District requested

See
Note 1
Page 13



payment for any of these claims, the Comptroller's Office would legitimately been able to charge the District with Medicaid fraud.

A second category of claims cited by the Comptroller's Office as uncaptured revenues by the District include \$21,942. (potential District share \$5486.) in claims that were "provided to students but not claimed". It is important to note that the District was provided with information detailing these claims on June 15, 2010 and Medicaid records clearly support that all but one of these "uncaptured revenues" had in fact been submitted and paid before June 15, 2010. The Comptroller's staff did identify one claim for one student for one month of one service (speech therapy) that had been overlooked; this claim was subsequently filed and the District realized payment of an additional \$104. due to the assistance from this audit. The attached chart itemizes the claims identified by the audit in this category and illustrates that the District had filed claims when all documentation was present and continued to pursue required materials to support more elusive claims that required extended attention for District Medicaid staff. The attached chart shows some degree of overlap between the time the auditors began their work and the draft report produced four months later; District staff continued to collect and bill Medicaid claims during that time, as they should have. This overlap explains some, but not all, of the discrepancies between the Comptroller's observation of uncaptured revenues and the District, State and NERIC records that support these claims as having been filed and paid.

See
Note 2
Page 13

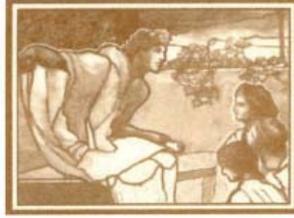
The third area that the Comptroller's audit identified as a potential area for increasing revenue is Targeted Case Management services. Targeted case management was eliminated as a billable area in July 2009. Targeted Case Management involved dramatically increased record keeping by adult staff members to prove that school staff actively coordinated medical and non-medical care of severely disabled students. The issue of Targeted Case Management is now a moot point because it is no longer an allowable service.

See
Note 3
Page 13

This audit shows that the Chatham Central School District attends carefully to Medicaid requirements and has been very successful in documenting and collecting revenues available. The District does not claim for any services that are not fully supported by the multiple written records required for each claim and this practice protects the District from erroneously collecting undue funds. Conversely, this audit also shows that claims that are legitimate and are properly documented are filed in a timely manner or are continuously pursued until they can be claimed. While the report's conclusions appear to suggest otherwise, the audit provides clear evidence that the District actively seeks the appropriate Medicaid revenues and is diligent in collecting all required documentation

See
Note 4
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CHATHAM CENTRAL SCHOOLS



before filing claims. Factors outside of District control sometimes delay or prevent filing of specific claims, but the amount of actual revenue lost was negligible.

Jean W. Scheriff EdD
Jean W. Scheriff
Director of Pupil Services

APPENDIX B

OSC'S COMMENTS ON THE DISTRICT OFFICIALS' RESPONSE

Note 1

We reported these amounts as “scheduled but not documented that they were provided.” Because there was no documentation that the scheduled services were actually provided, our report states that the District could not properly claim for reimbursement for these services. If District officials were to verify that the scheduled services were provided and obtain the required documentation, the District would then be able to submit additional claims for up to \$26,576.

The examples cited in the District’s response letter were not part of the documentation that District officials provided to us during our audit. District officials first presented these possible explanations during our discussions of the draft report four months later. Although these reasons are plausible, without any documentation, we cannot verify their accuracy.

Note 2

We met with District officials in June 2010 to discuss the preliminary findings from our April fieldwork. The purpose of this meeting was to verify that our information was correct and to give the District additional time to file any resulting claims. Our intent was to assist the District in the timely filing of all eligible Medicaid claims without waiting for the audit report to be released. The information included in our report was based on documentation made available to us during our audit. If the District has obtained all the required documentation and submitted the necessary Medicaid claims, then no further action is necessary.

We did not include the attached chart detailing the status of specific case files that District officials referred to in their response letter because the response contained sufficient information.

Note 3

Targeted Case Management (TCM) remained a billable area for the Medicaid services provided during the 2008-09 school year. Our report indicates that the District failed to claim reimbursement for periodic case reviews (one component of TCM) for the 2008-09 school year.

Note 4

To ensure that all eligible services are properly documented and that related claims are prepared in compliance with Medicaid regulations and submitted in a timely manner, District officials should continue to monitor the claims process. Continued diligence will help ensure that Medicaid revenues are maximized.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

During this audit, we examined the District's Medicaid reimbursement system to determine if there were revenue enhancement opportunities.

To accomplish this objective, we performed the following audit procedures:

- We identified significant Medicaid regulations and performed procedures to determine if those regulations were followed consistently.
- We assessed the internal controls over the identification, monitoring, and preparation of Medicaid reimbursement claims.
- We interviewed District personnel involved in the Medicaid reimbursement process, and tested selected records and transactions.
- We reviewed the lists of Medicaid-eligible students and students with IEPs and compared these listings to identify students whose IEP-related services were eligible for reimbursement.
- We reviewed the case records and billing summaries for 39 Medicaid-eligible students with IEPs and determined the total amount of billable IEP-related services and the number of claims not submitted for reimbursement.
- We calculated the reviews conducted for 39 classified Medicaid-eligible students and multiplied them by the corresponding rates to determine the amount of unclaimed reimbursement for the TCM initial and periodic reviews.
- We met with District officials and discussed the preliminary Medicaid reimbursement findings to verify the accuracy of the findings.

We conducted our performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 objectives.

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