DEPARTMENT OF HEALTH & HUMAN SERVICES Office of Inspector General

Washington, D.C. 20201

APR - 8 2003

TO: Neil Donovan
Director, Audit Liaison Staff
Centers for Medicare and Medicaid Services

FROM: George M. Reeb
Acting Deputy Inspector General
for Audit Services

SUBJECT: Audit of Medicaid School-Based Services in Oklahoma (A-06-01-00083)

As part of the Office of Inspector General's self-initiated audit work, we are alerting you to the issuance within 5 business days of our final report entitled, "Audit of Medicaid School-Based Services in Oklahoma." A copy of the report is attached. This report is one in a series of reports in our multi-state initiative focusing on direct costs claimed for Medicaid school-based health services. We suggest you share this report with the Centers for Medicare and Medicaid Services (CMS) components involved in program integrity, provider issues, and state Medicaid agency oversight, particularly the Center for Medicaid and State Operations.

The objectives of our audit were to determine for state fiscal year 2000 whether: 1) the school districts were providing and appropriately documenting and billing school-based health services; 2) the payment rates for school-based health services were supported and reasonable; 3) the state's financial participation (state share) in the funding related to school-based health services was being met; 4) the use of billing agencies by the school districts was appropriate; and 5) the providers of school-based health services were qualified.

We identified issues, which resulted in unallowable costs totaling at least $1,243,446 federal share. Further, school districts did not obtain referrals for occupational therapy services or referrals for speech therapy services, which resulted in unallowable costs totaling at least $1,089,328 federal share. We could not reasonably determine whether school districts met the state share requirement, which totaled $2,801,658 due to the various errors identified with their calculations, inclusion of inappropriate expenditures, and use of inappropriate funding sources. In addition, we identified the following areas of concern needing corrective action: 1) the rates associated with school-based Medicaid services; 2) billing agency involvement in school districts' school-based Medicaid programs; and 3) the school-based health service providers' qualifications.

We recommended the Oklahoma Health Care Authority (OHCA):

- Reimburse the $1,243,446 for the federal share of costs related to unallowable services, and take corrective action to address the specific conditions identified in the claims review.

- Reimburse the $1,089,328 for the federal share of costs related to occupational therapy prescriptions and speech therapy referrals, and inform school districts of the specified federal regulation.

- Ensure school districts meet the state share requirement.

- Reach a resolution with CMS related to the state share requirement, which totaled $2,801,658.

- Review the rates school districts should receive, document the methodology used, and retain the documentation.

- Enact a plan to ensure better OHCA oversight related to the school-based Medicaid program and inform the school districts of the specified federal and state requirements.

The OHCA concurred with all our findings except for the findings related to 1) occupational therapy prescriptions and speech therapy referrals and 2) school-based service rates. In relation to occupational therapy prescriptions and speech therapy referrals, OHCA believed based on correspondence with CMS, that their process of developing the treatment plan satisfied the concept of a prescription or referral. In addition, the OHCA stated that the nine school-based service rates were set according to rates paid for comparable child-health clinic services, which have not been adjusted for over 15 years.

We are pleased that OHCA agreed with all but two of our recommendations. For occupational therapy prescriptions and speech therapy referrals, based on our review of federal regulations and Oklahoma's Psychologists Licensing Act, and our discussions with a State Board of Examiners of Psychologists official, we continue to recommend the financial adjustment. Addressing the school-based service rates, we examined the documentation OCHA identified as support and took into consideration OHCA's explanation of the validity of the rate, but continue to recommend OHCA review the rates school districts should receive, document the methodology used, and retain the documentation.

We summarized OHCA's comments and responded to those comments at the end of the FINDINGS AND RECOMMENDATIONS section of the report, and included the comments in their entirety as APPENDIX G to this report.

Any questions or comments on any aspect of this memorandum are welcome. Please address them to Ben Jackson, Jr., Audit Director for the Centers for Medicare and Medicaid Audits, at (410) 786-7113 or Gordon L. Sato, Regional Inspector General for Audit Services, Region VI, at (214) 767-9206.

Attachment

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
1100 Commerce, Room 6B6
Dallas, TX 75242

APR 11 2003

Report Number: A-06-01-00083

Mr. Mike Fogarty
Chief Executive Officer
Oklahoma Health Care Authority
4545 N. Lincoln Boulevard, Suite 124
Oklahoma City, Oklahoma 73105

Dear Mr. Fogarty:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services' (OAS) final report entitled, "Audit of Medicaid School-Based Services in Oklahoma." A copy of this report will be forwarded to the action official noted below for review and any action deemed necessary.

The HHS action official named below will make final determination as to actions taken on all matters reported. We request that you respond to the HHS 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, OAS 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. (See 45 CFR part 5.) As such, within 10 business days after the final report is issued, it will be posted to the Internet at http://oig.hhs.gov.

To facilitate identification, please refer to report number A-06-01-00083 in all correspondence relating to this report.

Sincerely,

Gordon L. Sato

Gordon L. Sato
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:

Dr. James R. Farris, MD
Regional Administrator
Centers for Medicare and Medicaid Services
1301 Young Street, Room 714
Dallas, Texas 75202

Department of Health and Human Services

OFFICE OF
INSPECTOR GENERAL

AUDIT OF MEDICAID SCHOOL-BASED SERVICES IN OKLAHOMA

JANET REHNQUIST
Inspector General

APRIL 2003
A-06-01-00083

Notices

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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.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
1100 Commerce, Room 6B6
Dallas, TX 75242

APR 11 2003

Report Number: A-06-01-00083

Mr. Mike Fogarty
Chief Executive Officer
Oklahoma Health Care Authority
4545 N. Lincoln Boulevard, Suite 124
Oklahoma City, Oklahoma 73105

Dear Mr. Fogarty:

This final report presents the results of our audit of Medicaid school-based services in Oklahoma. The objectives of our audit were to determine whether 1) the payment rates for school-based health services were supported and reasonable, 2) the use of billing agencies by the school districts was appropriate, 3) the providers of school-based services were qualified, 4) the state's financial participation (state share) in the funding related to school-based services was met, and 5) the school districts provided and appropriately documented and billed school-based services. We limited our review to Medicaid school-based services provided during state fiscal year (SFY) 2000.

During SFY 2000, our audit period, Medicaid costs for school-based health services in Oklahoma totaled $9,690,964, of which $6,889,306 was the federal share. We statistically sampled 30 beneficiary/months of service at the 11 selected school districts. We identified issues, which resulted in unallowable costs totaling at least $1,243,446 federal share. Further, school districts did not obtain prescriptions for occupational therapy services or referrals for speech therapy services, which resulted in unallowable costs totaling at least $1,089,328 federal share. We could not reasonably determine whether school districts met the state share requirement, which totaled $2,801,658 due to the various errors identified with their calculations, inclusion of inappropriate expenditures, and use of inappropriate funding sources.

In addition, we identified the following areas of concern needing corrective action:

- The rates associated with school-based Medicaid services.
- Billing agency involvement in school districts' school-based Medicaid programs.
- The school-based health service providers' qualifications.

We recommended the Oklahoma Health Care Authority (OHCA):

- Reimburse the $1,243,446 for the federal share of costs related to unallowable services.
- Take corrective action to address the specific conditions identified in the claims review listed in APPENDIX D.
- Reimburse the $1,089,328 for the federal share of costs related to occupational therapy prescriptions and speech therapy referrals.
- Inform school districts of the federal regulation requiring prescriptions for occupational therapy services and referrals for speech language therapy services.
- Ensure school districts meet the state share requirement through:
    - Informing school districts of the correct method of calculating the state share to be reported on the certification statement.
    - Developing an allocation method for school districts to use in order to allocate expenditures associated with services provided to both Medicaid and non-Medicaid eligible individuals based on Medicaid benefit.
    - Informing school districts that expenditures unrelated to Medicaid services cannot be claimed as matching expenditures.
    - Informing school districts that expenditures paid from federal funds cannot be used as matching expenditures.
- Reach a resolution with the Centers for Medicare and Medicaid Services (CMS) related to the state share requirement, which totaled $2,801,658.
- Review the rates school districts should receive, document the methodology used, and retain the documentation.
- Enact a plan to ensure better OHCA oversight related to the school-based Medicaid program and inform the school districts of the following:
    - All federal and state requirements related to providing Medicaid services.
    - Billing agency rates may not be dependent on Medicaid billing or reimbursement, but instead, must be based on a rate related to the cost of processing the billing.
    - Contract requirements when subcontracting health services.

- Federal and state regulations related to service provider qualifications.

Following the recommendations section of the report, we summarized the state's comments and included the Office of Inspector General's (OIG) response to those comments. The complete text of the auditee's comments is shown in APPENDIX G.

INTRODUCTION

BACKGROUND

The Medicaid program, established by title XIX of the Social Security Act (the Act), was enacted in 1965. This program is jointly funded by the federal and state governments and is administered by each state to assist in the provision of medical care to pregnant women and children and to needy individuals who are aged, blind, or disabled. The Individuals with Disabilities Education Act (IDEA) authorizes federal funding to states for programs that impact Medicaid payment for services provided in schools. Specifically, section 411(k)(13) of the Medicare Catastrophic Coverage Act of 1988 (P.L. 100-360) amended section 1903(c) of the Act to permit Medicaid payment for medical services provided to children under IDEA through a child's Individualized Education Plan (IEP) or Individualized Family Service Plan.

School districts are required to prepare an IEP for each child, which specifies all special education and "related services" needed by the child. The Medicaid program can pay for some of the "health related services" included in the IEP, if they are among the services specified in Medicaid law and included in the state's Medicaid plan. Examples of such services include physical therapy, speech pathology services, nursing, occupational therapy, and psychological services.

The state plan also lists the eligibility groups and standards, any applicable service requirements, and payment rates for the services provided. Within federal and state Medicaid program requirements regarding allowable services and providers, the Medicaid program can pay for some or all of the cost of these related health services when provided to children eligible for Medicaid.

The federal financial participation (FFP) rate for medical assistance payment is limited to a minimum of 50 percent and a maximum of 83 percent. For Oklahoma, the FFP rate for medical assistance payments was 71.09 percent during federal fiscal year 2000.

As Oklahoma's single state Medicaid agency, OHCA is responsible for administering Oklahoma's Medicaid program. We focused our review on the Medicaid health services provided in the school setting under the IDEA program.

The school district (school district refers to a school district or cooperative) may enroll as a Medicaid provider to serve Medicaid eligible children. The school district then bills Medicaid for the services provided by its qualified providers, who must be school employees or contracted staff. Services may be provided in the school setting, the home, or another site in the community.

The OHCA provided each participating school district with a provider manual entitled, "EPSDT School-Based Services: An Overview for Providers," which outlined the state requirements related to services Oklahoma school districts provided Medicaid eligible individuals, such as documentation requirements, IEP requirements, as well as other requirements specific to each service type (i.e., service unit size).

During SFY 2000, our audit period, Medicaid reimbursement for school-based health services in Oklahoma totaled $9,690,964, of which $6,889,306 was the federal share.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit was conducted in accordance with generally accepted government auditing standards. We focused our review on the Medicaid health services provided in the school setting under the IDEA program. The objectives of our audit were to determine whether:

- The school districts were providing, appropriately documenting, and billing school-based health services.
- The payment rates for school-based health services were supported and reasonable.
- The state's financial participation (state share) in the funding related to school-based health services was being met.
- The use of billing agencies by the school districts was appropriate.
- The providers of school-based health services were qualified.

We discussed the objectives of our audit with OHCA officials and CMS central and regional officials to identify requirements for Medicaid school-based health services. We reviewed only those internal controls considered necessary to achieve our objectives.

Our review covered Oklahoma school districts' activities related to the school-based Medicaid services for the period July 1, 1999 through June 30, 2000 (SFY 2000). We reviewed a statistical sample of 30 beneficiary/months at 11 selected schools. We used Office of Audit Services (OAS) statistical sampling software to perform a stratified multistage design (see APPENDIX A for our sampling methodology, APPENDIX B for the Oklahoma school districts included in our sampling frame for the 4th stratum, APPENDIX C for our statistical results

related to questioned costs due to the issues in APPENDIX D, and APPENDIX F for our statistical results related to the lack of occupational therapy prescriptions and speech therapy referrals).

We interviewed OHCA and selected school district personnel and reviewed documentation to determine if:

- The services for each selected beneficiary/month were appropriately provided, supported, and billed.
- The rates for Medicaid school-based health services were supported and reasonable.
- The state share certification for SFY 2000 was correct. This included judgmentally selecting expenditures for detailed review to determine whether the state share was being met.
- Payments were made to billing agents and, if so, were they reasonable.
- The school districts' health service providers met the federal and state qualification requirements.

Our audit work was performed at OHCA's offices in Oklahoma City, the 11-selected school districts in Oklahoma, and in our Oklahoma City field office.

FINDINGS AND RECOMMENDATIONS

During SFY 2000, Medicaid costs for school-based health services in Oklahoma totaled $9,690,964, of which $6,889,306 was the federal share. The school districts were required to provide the state share of the funding. Based on our review of selected claims, we estimated that school districts inappropriately received at least $1,243,446 in federal Medicaid funding due to issues identified during the selected beneficiary/months claims review and at least $1,089,328 in federal Medicaid funding due to the lack of prescriptions for occupational therapy services and the lack of referrals for speech language therapy services. Our estimates are the lower limit of the 90 percent two-sided confidence interval. We could not reasonably determine whether school districts met the state share requirement of $2,801,658 due to the various errors identified with their calculations, inclusion of inappropriate expenditures, and use of inappropriate funding sources.

In addition, we identified the following areas of concern needing corrective action:

- The rates associated with school-based Medicaid services.

- Billing agency involvement in school districts' school-based Medicaid programs.

- The school-based health service providers' qualifications.

SELECTED BENEFICIARY/MONTHS CLAIMS REVIEW

Based on our review of selected beneficiary/months, we questioned federal reimbursement totaling $1,243,446 related to specific issues and federal reimbursement totaling $1,089,328 related to occupational therapy prescriptions and speech therapy referrals.

The Surveillance and Utilization Review System (SURS), the division of OHCA that reviews the Medicaid school-based program, only conducted a review of one school district's school-based Medicaid program prior to our review. Due to this lack of OHCA oversight, school districts were able to continue inappropriate practices related to billing Medicaid for health services.

We questioned federal reimbursement totaling $1,243,446 due to specific conditions, which fall into the following five general categories (see APPENDIX D for the specific conditions):

- Over-utilization of the school-based Medicaid health services program, e.g., 1 school district billed 14 to 18 units of nursing services per week for a beneficiary whose IEP only authorized 6 units of nursing services per week.

- Lack of appropriate supporting documentation or incomplete supporting documentation, e.g., one school district did not maintain original service documentation, but instead provided computer-generated notes. This school district was unable to secure the signatures of providers that the school district no longer employs or contracts on the computer-generated notes.

- The school districts billed a higher reimbursement procedure code than the actual service warranted, e.g., a school district billed the child's health encounter procedure code (W4526) when conducting IEP meetings with parents. The school district should have billed this service using the targeted case management code (W0075).

- School districts billed the Medicaid program for services that were not health related, e.g., one school district billed the personal care code for behavioral supervision for a student whose IEP stated the child is cooperative, outgoing, and eager to learn.

- School districts billed services of unqualified providers or unsupervised assistants.

Reimbursement Related to Occupational Therapy Prescriptions and Speech Therapy Referrals

Six school districts did not obtain prescriptions for occupational therapy services, and 10 school districts did not obtain referrals for speech language therapy services. Federal regulation 42 CFR 440.110 requires a prescription from a physician or other practitioner of the healing arts for occupational therapy services and a referral from a physician or other practitioner of the healing arts for speech language therapy services. The OHCA did not inform school districts of the federal requirements related to prescriptions for occupational therapy and referrals for speech therapy services. Therefore, we questioned federal reimbursement totaling $1,089,328 due to the lack of prescriptions for occupational therapy services and the lack of referrals for speech language therapy services.

STATE SHARE OF MEDICAID SERVICES

The intergovernmental agreement between OHCA and the school districts requires school districts participating as Medicaid providers to certify the availability of the state share match required for federal Medicaid reimbursement on an annual basis using the certification statement. On the certification statement, the school district includes the federal reimbursement and the state share.

As a result of our review of the 11 selected school districts' certification statements, we identified the following 3 areas of concern:

- The calculation of the state share amount;
- The inclusion of inappropriate expenditures as matching expenditures; and
- The funding source of matching expenditures.

Since we had concerns about the state share certification, we could not reasonably determine whether school districts met the state share requirement of $2,801,658.

The Calculation of the State Share Amount

Four of the selected school districts calculated their state share amounts as less than required. According to OHCA officials, OHCA instructed the school districts that the state share should be equal to 30 percent of the total federal reimbursement. The state share should be based on 28.91 percent of the total amount billed to Medicaid. The OHCA's misunderstanding related to the calculation of the state share caused the miscalculated state share amounts.

The Inclusion of Inappropriate Expenditures as Matching Expenditures

The Office of Management and Budget Circular A-87, Attachment A, section C requires costs charged to a federal award to be allowable, reasonable, and allocable to the federal award in accordance with relative benefits received. The OHCA's provider manual instructed school districts to use expenditures related to special education and health related services in meeting their state share. Special education expenditures are not related to Medicaid services and, therefore, cannot be included in the state match expenditures. Further, not all health related service expenditures could be allocated to Medicaid services because school districts provide health services to all students, not just Medicaid eligible students.

We judgmentally selected invoices from the listings supporting the 11 school districts' certification statements and identified the following conditions:

- Ten of the selected school districts inappropriately included expenditures unrelated to Medicaid services on the SFY 2000 certification statement, such as nonhealth provider salaries, staff training, and classroom supplies (i.e., watercolors, balloons, correction tape, toothpicks, scissors, candy, etc.).

- The 11 school districts allocated all health service expenditures, such as health service providers' salaries and general medical supplies, to the Medicaid state share, even though school districts provided health services to both Medicaid and non-Medicaid eligible individuals.

The Funding Source of Matching Expenditures

Federal regulation 42 CFR 433.51(a) states, "Public funds may be considered as the state's share in claiming FFP…." Also, section 433.51(b) and (c) identifies public funds certified by the contributing public agency as representing expenditures eligible for FFP as funds the state can utilize as the state's share in claiming FFP. The public funds cannot be federal funds unless the federal funds are specifically authorized by federal law for use to match other federal funds.

After identifying the funding source of all expenditures associated with Medicaid costs using the Oklahoma Cost Accounting System project codes, we identified the following issues related to matching expenditure funding sources:

- One school district paid three service providers solely from federal funds.

- Two school districts paid expenditures from federal funds and claimed them as matching expenditures.

States are not authorized to use the federal Medicaid funds as the state source of matching public funds. The fact that one school district paid service providers' salaries solely from federal funds could lead to the Federal Government paying for the same services twice, first through the federal funds from which their salaries are paid and then through billing their services to the Medicaid program.

ADDITIONAL AREAS OF CONCERN

School-Based Service Rates

We found that OHCA could not document the methods and standards used to set the payment rates for 9 of the 32 rates for school-based health services (see APPENDIX E for a listing of the 9 unsupported rates). These rates are not in accordance with 42 CFR 447.252(b) which states, "The [state] plan must specify comprehensively the methods and standards used by the agency to set payment rates…" and 42 CFR 447.203(a) which states, "The agency must maintain documentation of payment rates and make it available to HHS upon request." Without such documentation, we have no assurance that the rates are reasonable.

Billing Agency Involvement in the School-Based Medicaid Program

Seven of the 11 selected school districts used a billing agency. We identified two issues related to billing agency involvement in the school-based Medicaid program.

Federal regulation 42 CFR 447.10(f) states, "Payment may be made to a business agent, such as a billing service or an accounting firm, that furnishes statements and receives payments in the name of the provider, if the agent's compensation for this service is --

(1) Related to the cost of processing the billing;

(2) Not related on a percentage or other basis to the amount that is billed or collected; and

(3) Not dependent upon the collection of the payment."

All billing agency fees were dependent upon the collection of the Medicaid payment by either being based on a percentage of the school districts' Medicaid reimbursement or being based on a fee schedule dependent on the procedure code reimbursement amounts. The OHCA's provider manual states, "Schools that do not wish to do their own electronic claim preparation but who want to do electronic billing can use the services of a fiscal agent approved by the Oklahoma Health Care Authority." This is the only guidance OHCA issued to the school districts related to billing agency usage. We did note that OHCA instructed a billing agency serving one selected school district not to base its fee on the school district's reimbursement amount; however, the billing agency ultimately based its fee on the school district's reimbursement by using a fluctuating rate.

One billing agency also placed health service providers in two school districts. Federal regulation 42 CFR 434.6(b) states, "All subcontracts must be in writing and fulfill the requirements of this part that are appropriate to the service or activity delegated under the subcontract." No contract existed between the school districts and the billing agency that would allow the billing agency to place health providers in the two school districts. The OHCA was unaware that this billing agency placed health providers in the school districts without obtaining the required contract. Without the required contracts, we have no assurance the billing agency provided all services for which school districts paid.

Qualifications of School-Based Service Providers

Federal regulation 42 CFR 440.110 sets forth the qualifications related to various medical providers eligible to receive Medicaid reimbursement. The OHCA's provider manual identifies the state requirements related to school-based health provider qualifications.

The OHCA allowed school districts to determine whether health service providers were qualified to provide Medicaid services, although the school districts did not always have a clear understanding of the federal and state provider qualification requirements. We identified issues related to the qualifications of speech pathologists and the supervision of licensed practical nurses (LPN).

Federal regulation 42 CFR 440.110(c)(2) identifies a speech pathologist as an individual who:

- Has a certificate of clinical competence from the American Speech and Hearing Association (ASHA),

- Has completed the equivalent educational requirements and work experience necessary for the certificate, or

- Has completed the academic program and is acquiring supervised work experience to qualify for the certificate.

The speech provider must be ASHA certified or hold equivalent qualifications as an ASHA certified individual. According to ASHA requirements, an individual must first hold a master's degree. Two school districts employed speech language pathologists that only possessed bachelor's degrees. These bachelor level speech pathologists did not possess the federally required qualifications to allow school districts to bill Medicaid for their services. We disallowed any services these speech pathologists provided during our selected beneficiary/month review.

According to the OHCA provider manual, a registered nurse (RN) must supervise LPNs. We found one RN supervised six LPNs assigned to different school districts within a wide

geographical area. Being responsible for these LPNs assigned to different geographical areas could impede the RNs' ability to appropriately supervise the LPNs' work.

RECOMMENDATIONS

We recommended that OHCA:

- Reimburse $1,243,446 for the federal share of costs related to unallowable services.
- Take corrective action to address the specific conditions identified in the claims review concerning over-utilization of the program, lack of supporting documentation, billing at a higher reimbursement rate than the actual service warranted, billing for services that are not health related, and billing for services provided by unqualified providers. See APPENDIX D.
- Reimburse the $1,089,328 for the federal share of costs related to occupational therapy prescriptions and speech therapy referrals.
- Inform school districts of the federal regulation requiring prescriptions for occupational therapy services and referrals for speech language therapy services.
- Ensure school districts meet the state share requirement through:
    - Informing school districts of the correct method of calculating the state share to be reported on the certification statement.
    - Developing an allocation method for school districts to use in order to allocate expenditures associated with services provided to both Medicaid and non-Medicaid eligible individuals based on Medicaid benefit.
    - Informing school districts that expenditures unrelated to Medicaid services cannot be claimed as matching expenditures.
    - Informing school districts that expenditures paid from federal funds cannot be used as matching expenditures.
- Reach a resolution with CMS related to the state share requirement, which totaled $2,801,658.
- Review the rates school districts should receive and document the methodology used and retain the documentation.

- Enact a plan to ensure better OHCA oversight related to the school-based Medicaid program and inform the school districts of the following:

    - All federal and state requirements related to providing Medicaid services.

    - Billing agency rates may not be dependent on Medicaid billing or reimbursement, but instead, must be based on a rate related to the cost of processing the billing.

    - Contract requirements when subcontracting health services.

    - Federal and state regulations related to service provider qualifications.

AUDITEE'S COMMENTS

The OHCA concurred with all our findings except for the findings related to 1) occupational therapy prescriptions and speech therapy referrals and 2) school-based service rates.

In relation to occupational therapy prescriptions and speech therapy referrals, OHCA believed, based on correspondence with CMS, that their process of developing the treatment plans satisfied the concept of a prescription or referral.

The OHCA stated that the nine school-based service rates were set according to rates paid for comparable child-health clinic services, which had not been adjusted for over 15 years.

OHCA also provided the following additional information related to some of the findings with which they agreed:

- The OHCA stated SURS conducted reviews of the Medicaid school-based program at 16 school districts. The OHCA identified disallowances at these school districts and made financial adjustments. The OHCA requests we take into account these disallowances and consider adjusting our projection.

- The OHCA stated that they sent a newsletter to all participating school districts identifying the federal share as 71.09 percent and the state share as 28.91 percent. While OHCA agreed the four school districts miscalculated their state match requirement, the OHCA did not believe the school districts were instructed that the state share should be equal to 30 percent of the total federal reimbursement. Further, OHCA program staff believed these four school districts would meet state match requirements if the actual state match were compared to actual expenditures for SFY 2000.

- The OHCA stated that, based on reviews OHCA program staff conducted, it appeared schools comfortably met their state match requirements when actual school-based

service expenditures were further analyzed. The OHCA will continue to work closely with the schools to ensure certification statements are completed correctly, only appropriate expenditures are used as state match, and allowable funding sources are used appropriately.

OIG'S RESPONSE

Regarding OHCA's comments on occupational therapy prescriptions and speech therapy referrals, we believe the treatment plan can be considered as the prescription for occupational therapy services and the referral for speech therapy services if an individual on the team of medical professionals signing the treatment plan or referral has the authority to prescribe or refer under state law. Federal regulation 42 CFR 440.110 states that the referral or prescription must be provided by a physician or other practitioner of the healing arts within the scope of his or her practice. The OHCA identified psychologists as other practitioners of the healing arts.

We reviewed Oklahoma's Psychologists Licensing Act and determined it does not address psychologists' authority to prescribe or refer. We also contacted an official with the State Board of Examiners of Psychologists, who informed us that Oklahoma law does not recognize that psychologists can prescribe services. Further, this official stated that although he believes it would be appropriate for psychologists to refer to other health professionals, the practice act does not specifically give psychologists the authority to refer. Therefore, we continue to question the federal share of costs related to occupational therapy prescriptions and speech therapy referrals totaling $1,089,328.

We examined the documentation OHCA identified as support for the school-based service rates; however, neither the documentation nor OHCA's explanation supported the nine payment rates we identified in APPENDIX E. We continue to believe that OHCA should review the rates school districts receive as reimbursement, document the methodology used, and retain the documentation.

During our audit, OHCA did not advise us of the reviews SURS conducted of the school-based Medicaid programs. In their response, OHCA did not provide any detailed support for the disallowances and adjustments in their written comments. Therefore, we continue to question the federal share of costs related to unallowable services totaling $1,243,446, and OHCA should provide detailed documentation supporting the adjustments to CMS for final determination.

The OHCA's provider manual to the school districts states that they apply the state share percentage to the federal reimbursement. We were also advised by four school districts that they had been instructed to use 30 percent of the federal reimbursement in making their calculation.

Applying the percentage to the federal portion rather than the billed amount results in a lower calculation of the state share. In addition, an OHCA official described to us the process of calculating the state share by applying 30 percent to the federal reimbursement. We continue to believe OHCA should reach a resolution with CMS related to the state share requirement, which totaled $2,801,658.

Sincerely,

Gordon L. Sato

Gordon L. Sato
Regional Inspector General
for Audit Services

APPENDICES

Sampling Methodology

Objective:

To determine if school districts and cooperatives in Oklahoma adhered to federal and state regulations related to administering health services to Medicaid eligible children under IDEA.

Population:

The sampling population was months of service for beneficiaries who received Medicaid school-based health services in Oklahoma school districts and cooperatives during SFY 2000 (July 1, 1999 through June 30, 2000). The population was limited to paid claims and to those districts and cooperatives that were reimbursed over $10,000 during the 12 months ending June 30, 2000.

Sampling Frame:

The sampling frame was a listing of all school districts and cooperatives in Oklahoma participating in the Medicaid school-based services program and that were reimbursed over $10,000. Once eight districts and/or cooperatives were selected, we had OHCA provide us a list of monthly charges for beneficiaries who received Medicaid school-based health services during the period July 1, 1999 through June 30, 2000.

Sample Unit:

The sample unit was a beneficiary/month for which school-based services were provided during our audit period.

Sample Design:

A stratified multistage design was used. The OIG/OAS auditors did a probe sample at the two school districts and cooperative with the highest amount of reimbursement for Medicaid school-based services during our audit period. Those districts and the cooperative were each a stratum (three strata). The fourth stratum was the rest of the school districts and cooperatives with over $10,000 in Medicaid school-based reimbursement (112 districts or cooperatives). We randomly selected 8 primary units (school districts or cooperatives) from the fourth stratum and then selected 30 beneficiary/months from each of those primary units.

Sampling Methodology

Sample Size:

Thirty sample units (beneficiary/month) were selected from each of the first 3 strata and from the 8 primary units of the fourth strata for a total of 330 sample units.

Estimation Methodology:

We used the OAS Statistical Software Variable Appraisal program for stratified multistage sampling to project the costs of the unallowable services.

APPENDIX B

Oklahoma School Districts Included in the 4th Stratum Sampling Frame

Achille Public Schools
Ada City Schools
Altus Public School
Anadarko Public Schools
Antlers Public Schools
Atoka Public Schools
Bartlesville Public Schools
Battiest Public Schools
Beggs Public Schools
Binger-Oney School
Bixby Public Schools
Blackwell Public Schools
Blanchard Public Schools
Broken Arrow Public School
Broken Bow Schools
Brushy School District
Bryan Co. Rural Interlocal
Burns Flat-Dill City School
Calera Public Schools
Canute Public Schools
Chandler Public Schools
Checotah Public Schools
Cherokee Co. Interlocal
Claremore Public Schools
Clinton Public Schools
Coalgate Public Schools
Colcord Public Schools
Collinsville Public School
County of Cherokee Dist 3
Coweta Public Schools
Craig Co. Educ. Cooperative
Crowder School District
Cushing Public Schools
Cyril Public Schools
Denison Public Schools
Dickson School
Durant Public Schools
Edmond Public Schools
El Reno Public Schools
Elk City Public Schools
Enid Public Schools
Exceptional Childrens Ser.
Fort Gibson Public School
Glencoe Public Schools
Glenpool Public Schools
Grove Public Schools
Harrah Public Schools
Hartshorne Public School
Henryetta Public Schools
Hinton Schools
Hobart Public Schools
Hodgen School
Holdenville Public School
Hugo City Schools
Hydro-Eakly Public School
Jenks Public Schools
Kansas Public Schools
Kingston Public Schools
Lane Public School
Lawton Public Schools
Leach Public School
Leflore Co. Special Educ.
Lexington Public Schools
Lindsay Public Schools
Little Axe Public Schools
Locust Grove Public Schools
Madill School Dist I-002
McAlester Public School
ISD #80
Mid-Del Public Schools
Moffett Public Schools
Moore Public Schools
Morris Public Schools
Morrison School Dist
Mountain View-Gotebo PS
Moyers Public Schools
Muskogee Public Schools
Newcastle Public School
Noble Public Schools
Norman Public Schools I-2
Northern Ottawa City Coop
Nowata Public School
OK School for the Blind
Oklahoma Union School
Pauls Valley Public School
Perkins-Tryon School District
Ponca City Public School
Purcell Public School System
Putnam City Pub Sch ISD#1
Sallisaw Public Schools
Sand Springs Schools
Sapulpa Pulbic Schools
Savanna Public School
Sayre Public School
Shawnee Public Schools
Sperry Public Schools
Stigler Public Schools
Stillwater Public Schools
Tecumseh Public Schools
Temple Public School
Thomas-Fay-Custer USD
Tishomingo School District
Tri-County Interlocal Coo
Tulsa Public Schools
Twin Hills School
Union Public Schools
Vian Public Schools
Wagoner Schools
Wanette Public Schools
Wayne Public Schools
Weatherford Public School
Western Heights Public Schools
Westville Public School

APPENDIX C

Selected School Districts by Strata
Unallowable Cost Projection

	Total Sampling Units (Beneficiary/Months)		Sample Size	Stratum Point Estimate of Unallowable Costs	Standard Error
1ST STRATUM –				318,195	
Ardmore Public Schools	2,014		30		
2ND STRATUM				398,369	
Oklahoma City Public Schools	9,225		30		
3RD STRATUM –				15,368	
Special Services Cooperative	1,218		30		
4TH STRATUM				1,206,716	
Cushing Public Schools	298		30		
Denison Public Schools	67	*	30		
Elk City Public Schools	309		30		
Enid Public Schools	632		30		
Moore Public Schools	1446		30		
Muskogee Public Schools	808		30		
Sallisaw Public Schools	100		30		
Wanette Public Schools	122		30		
Totals	16,239		330	1,938,648	422,654

Stratified Multistage Variable Appraisal:

Point Estimate	Standard Error
1,938,648	422,654

90% Confidence Interval

Lower Limit	Upper Limit
1,243,446	2,633,850

*Denison Public Schools' sampling frame used in the projection was 67 beneficiary/months. Subsequent data indicated an additional 9 beneficiary/months, for a total of 76 beneficiary/months for Denison Public Schools for our audit period. The additional beneficiary/months were not included in the sampling frame. Therefore, they were also not included in the appraisal.

Claims Review Findings at 11 School Districts

Over-Utilization of the School-Based Medicaid Health Services Program

- Ten school districts exceeded the amount of services authorized in the IEP.
- Seven school districts billed more units than the documentation supported.
- Seven school districts billed Medicaid for services not included in the selected beneficiary's IEP.
- Seven school districts billed Medicaid for services having a date of service on which the selected beneficiary did not attend school.
- Seven school districts billed Medicaid for two or more services having the same date of service and start and stop times that overlap at some point.
- Three school districts billed Medicaid using the child health encounter code for services more appropriately classified as nursing services with durations of less than 30 minutes (in most cases, the duration of the services is less than 15 minutes).
- One school district billed Medicaid when the school district did not provide a service.
- One school district billed Medicaid using the personal care services code for more than one student at a time for transportation to and from school daily, regardless of whether that beneficiary received a service on that date.
- One school district billed more units than the prescription allowed for physical therapy services.

Lack of Supporting Documentation or Incomplete Supporting Documentation

- Eight school districts were unable to provide documentation supporting all selected services.
- Five school districts did not obtain the required prescription for physical therapy services.
- Five school districts billed Medicaid for services provided to beneficiaries without effective IEPs (i.e., no IEP or expired IEP).

Claims Review Findings at 11 School Districts

- Three school districts billed Medicaid for services for which the service provider did not complete the supporting documentation (i.e., the documentation lacked a comment/progress note or a provider signature).

- One school district billed Medicaid for services, which were included in the IEP, but did not document the amount of service.

Six School Districts Billed a Higher Reimbursement Procedure Code than the Actual Service Warranted

School Districts Billed the Medicaid Program for Services that Were Not Health Related

- Two school districts billed Medicaid for instructional/educational services, which were not health services (i.e., teaching the beneficiary his/her address and phone number, subject-verb agreement, etc.).

- One school district billed Medicaid using the personal care services code (W4674) for behavior supervision, which is also not health related. We disallowed approximately 64 percent of the reviewed reimbursement at this school district due to behavior supervision.

- The selected school district billed Medicaid using the personal care services code for age appropriate services (i.e., toilet training a three-year old), not services related to the selected beneficiary's disability.

One School District Billed Services of Unqualified Providers and One School District Billed Services of Unsupervised Assistants

APPENDIX E

Unsupported School-Based Rates

PROCEDURE CODES	SERVICE DESCRIPTION	SERVICE RATE
W4543 & W4644	Hearing Evaluation	$40.00
W4546 & W4647	Hearing Aid Evaluation	$52.50
W4544 & W4645	Audiometric Test	$15.00
W4545 & W4646	Typanometry Test	$15.00
W4549 & W4650	Ear Impression Mold	$25.00
W4672 & W4673	Vision Screening Examination	$25.36
W4542 & W4643	Speech Language Evaluation	$45.00
W4685 & W4555	Psychological Evaluation	$58.33
W4674 & W4675	Personal Care Services	$1.70 per 10-minute unit

APPENDIX F

Selected School Districts by Strata
Projection of Costs Related to Occupational Therapy Prescriptions and Speech Therapy Referrals

	Total Sampling Units (Beneficiary/Months)		Sample Size	Stratum Point Estimate of Unallowable Costs	Standard Error
1ST STRATUM –				14,673	
Ardmore Public Schools	2,014		30		
2ND STRATUM				395,593	
Oklahoma City Public Schools	9,225		30		
3RD STRATUM –				27,124	
Special Services Cooperative	1,218		30		
4TH STRATUM				1,779,859	
Cushing Public Schools	298		30		
Denison Public Schools	67	*	30		
Elk City Public Schools	309		30		
Enid Public Schools	632		30		
Moore Public Schools	1446		30		
Muskogee Public Schools	808		30		
Sallisaw Public Schools	100		30		
Wanette Public Schools	122		30		
Totals	16,239		330	2,217,249	685,729

Stratified Multistage Variable Appraisal:

Point Estimate	Standard Error
2,217,249	685,729

90% Confidence Interval

Lower Limit	Upper Limit
1,089,328	3,345,170

*Denison Public Schools' sampling frame used in the projection was 67 beneficiary/months. Subsequent data indicated an additional 9 beneficiary/months, for a total of 76 beneficiary/months for Denison Public Schools for our audit period. The additional beneficiary/months were not included in the sampling frame. Therefore, they were also not included in the appraisal.

MIKE FOGARTY
CHIEF EXECUTIVE OFFICER

FRANK KEATING
GOVERNOR

STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

Common Identification Number: A-06-01-00083

Mr. Gordon Sato
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General – Office of Audit Services
1100 Commerce, Room 632
Dallas, Texas 75242

December 16, 2002

Dear Mr. Sato,

The Oklahoma Health Care Authority (OHCA) appreciates the opportunity to respond to the audit findings on Medicaid School-Based Services.

Oklahoma believes that school-based services play an important role in the health care of adolescents and children. These services work because they are located where the children are - - they are easily accessible, located in a familiar environment and prevention oriented. These services provide the foundation of health care continuity for the Medicaid child.

It was at the urging of the Centers for Medicare and Medicaid Services (CMS), then HCFA, in the mid 1990's, that the Oklahoma Medicaid program became involved in school-based health services. The joint financial and programmatic partnership between CMS, OHCA and the school districts has proven to be successful for Oklahoma. Notably, EPSDT rates have dramatically increased from a national low of seven percent in 1989 to 63 percent in 2002. Additionally, overall schools are reporting that "at risk" Medicaid children are less apt to miss school because of the availability of school-based services.

The OHCA would like to preface the remainder of the response with the following points:

- The DHHS-OIG audit covered the period of SYF2000; at this time the school-based service delivery approach, although operational, was still a young service approach in Medicaid terms;

- While OIG audit staff began their audit survey in February of 2001 and fieldwork in August of 2001, the draft report was not issued until November of 2002. During this year and a half span of time, the OHCA, as well as the school districts involved, have collaborated, educated, trained, strengthened controls, and monitored Medicaid school-based services to ensure understanding and compliance of applicable laws and regulations affecting the program.

Findings and Recommendations

While OHCA concurs with some of the findings and recommendations found in the OIG report, OHCA does not concur with all of the findings. Because of this, each of the findings and recommendations, beginning on page five of the report, have been addressed separately. If after reviewing OHCA responses, the OIG concludes that their report should be amended by removing or modifying certain findings or recommendations in order to more fairly represent the situation based upon the information provided, OHCA would also like the opportunity to remove or amend portions of the response letter accordingly.

SURS / Agency Reviews

In paragraph two of the "Selected Beneficiary / Months Claims Review" of the report, the report states, "The Surveillance and Utilization Review System (SURS), the division of OHCA that reviews the Medicaid school-based program, only conducted a review of one school district's school-based Medicaid program prior to our review. Due to this lack of oversight, school districts were able to continue inappropriate practices related to billing Medicaid for health services."

While it is understood that one of the goals of the OHCA is to provide and improve health care access to the underserved and vulnerable populations of Oklahoma, program and payment integrity activities that protect taxpayer dollars and the availability of Medicaid services to individuals and families in need is also an important part of our program.

OHCA recognizes that truly improper payments in government health programs, such as Medicaid, drain vital program dollars, hurting clients and taxpayers. Such payments include those made for treatments or services that were not covered by program rules, were not medically necessary, were billed but never actually provided, or have missing or insufficient documentation to show whether the claim was appropriate.

Program and payment integrity efforts are not limited to just one area of the agency, but rather, agency-wide efforts are coordinated to identify, recover and prevent inappropriate provider billings and payments.

Based on OHCA records, the SURS Selection Committee met on June 19, 2000 and determined at that time that an emphasis should be placed on reviewing school-based service providers. The committee minutes state, "School-Based EPSDT – This provider type was selected because these services are relatively new and they have never been reviewed by SURS. In addition, the EPSDT staff has been performing educational reviews and has identified some billing problems."

As a result, SURS selected sixteen schools to be reviewed; the reviews were all assigned to analysts on July 12, 2000. All audits covered the period of January through June 2000; this is within the same audit period as the DHHS-OIG audit. It should be noted that all SURS on-site reviews for all sixteen schools were performed prior to the beginning of the DHHS-OIG audit field work which began in August of 2001. (See following schedule.)

SURS Reviews - SFY2000 Review Period

School-Based Provider	On-Site Review Date	Final Report Date	Final Overpayment
Blanchard Public Schools	10/24/2000	12/17/2001	$ 13,226.20
Kingston Public Schools	11/14/2000	1/18/2001	$ 6,203.39
Ardmore City School	11/21/2000	2/1/2001	$ 198.30
Liberty Public Schools	11/30/2000	3/5/2001	$ 8,782.50
Lexington Public Schools	12/5/2000	3/23/2001	$ 5,461.20
Enid Public Schools	1/23/2001	9/25/2001	$ 125.00
Oklahoma City Public Schools	1/24/2001	8/24/2001	$ 54,059.02
Collinsville Public Schools	2/13/2001	9/5/2001	$ 8,439.52
Darlington Schools	2/20/2001	7/31/2001	$ 1,115.15
Claremore Public Schools	3/26/2001	9/11/2001	$ 2,412.80
Tulsa Public Schools	4/3/2001	10/10/2001	$ 245.00
Clinton Public Schools	4/17/2001	10/9/2001	$ 1,517.05
Durant Public Schools	5/1/2001	8/30/2001	$ 4,882.15
Milwood Public Schools	5/3/2001	6/18/2001	$ 9,097.50
Heavener Public Schools	5/10/2001	9/25/2001	$ 19,125.61
Sapulpa Public Schools	5/15/2001	8/28/2001	$ 1,575.16

Additionally, the OHCA would also like to note that seven additional school-based reviews, for more current audit periods, were assigned to SURS staff prior to the release of the November 2002 draft report.

General Unallowable Expenditures

On page six, the draft audit report questioned federal reimbursement related to over-utilization of the school-based Medicaid health services program; lack of, or incomplete, supporting documentation; upcoding; billing for services that were not health related; and services provided by unqualified providers or unsupervised assistants. The OHCA concurs that these types of billings should not be eligible for federal reimbursement.

The OHCA would request that the questioned amount be recalculated to reflect adjustments made within the claims payment system since the time the claims payment schedule was originally supplied to DHHS-OIG in January 2001. OHCA records indicate that for the schools reviewed by the OIG, SFY2000 claims adjustments totaling $141,052.71 have been made. (See schedule of adjustments by school district at Appendix A.)

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Occupational Therapy / Speech Therapy Expenditures

At the bottom of page six, the draft report discusses reimbursement related to occupational therapy prescriptions and speech therapy referrals.

The issue of occupational therapy prescriptions has previously arisen in Oklahoma. In correspondence, dated January 23, 2001, Tamara Auseon, CMS- Dallas, wrote the following to Philip Koether, CMS – Dallas:

"Most OT's do a referral (not prescriptions), which is in accordance with Oklahoma's State Practice Act. This applies for services done in or out of a school setting. Who do we need to contact in CO (central office) to get clarification on this matter?"

Mr. Koether's response, dated February 23, 2001, was as follows:

"For waiver or school based services, there will be a treatment plan developed by a team of medical professionals.... I spoke with Linda Peltz in Central Office and she agreed with me that approved treatment plans and prior authorizations 'more than' satisfy the concept of 'prescribed'. The existence of a written prescription such as used in the drug program is not required. I don't think we have an issue."

Based on this, OHCA does not concur with the overpayments calculated due to lack of prescription for occupational therapy services.

Also, it is our understanding, based upon conversations with OIG audit staff, that speech language therapy services were questioned if a written referral from a ***physician*** for such therapy could not be found. Based on this, we do not concur with the questioned costs related to speech language therapy.

Federal regulations state that a referral from a physician ***or other practitioner of the healing arts*** is necessary for speech language therapy. Prior to a child receiving speech language therapy services, an assessment is performed by a team of professionals typically consisting of a psychologist, teacher, special education teacher, and a school administrator. Following this assessment, if the team finds that the child may need speech language therapy, the child is referred to a speech language therapist for assessment. The speech language therapist determines if services are necessary. Subsequently, the speech language therapist, the assessment team, and the guardian meet, and an approved treatment plan for the child is completed.

This process appears to meet federal requirements; a psychologist is an "other practitioner of the healing arts" and a referral is necessary for a child to receive an assessment from a speech language therapist. Also, we would again reference the above CMS correspondence as further support for OHCA's position on this issue. If an approved treatment plan developed by a team of medical professionals "more than" satisfies the concept of "prescribed" for occupational therapy, it would certainly make sense that a referral would be appropriate for a less restrictive service that basically follows the same process.

State Share Certification

On page 7, under the heading of "The calculation of the state share", the report states "According to OHCA officials, OHCA instructed the school districts that the state share should be equal to 30 percent of the total federal reimbursement. The state share should actually be based on 28.91 percent of the total amount billed to Medicaid."

OHCA does not concur with the statement that OHCA instructed school districts to use 30 percent as the state share and respectfully requests that this be struck from the final report. This request is based on the following:

A newsletter, dated February 2000, sent to all participating school districts by OHCA, listed the federal reimbursement as follows:
"FMAP
FY2000 (October 1, 1999 – September 30, 2000): Federal share is 71.09%; required State share match is 28.91%"

OHCA does concur that the four school districts addressed in this section did not complete their certification statements correctly and because the certification was completed in the manner it was, the state match did appear to be less than required. However, OIG audit staff did subsequently explain (December 10, 2002 phone conversation with OHCA audit staff) that the "less than required" reference in sentence one of this section was based solely on the fact that if the certification had been completed correctly a higher state share amount would have been necessary.

OIG staff further explained that when state match amounts as reported were compared to actual expenditure amounts, three of the four school districts had more state match than required. Furthermore, OHCA program staff believe that the remaining school district would also meet state match requirements if actual state match was compared to actual expenditures for SFY 2000.

OHCA concurs with the OIG report that school districts should not include expenditures unrelated to Medicaid services, nor should they allocate all of their health service expenditures, to the costs used as state share match for federal Medicaid reimbursement. OHCA also concurs that school districts should not include costs paid for with other federal funds as allowable matching funds.

With regards to the OIG statement, "Since we identified issues related to the state share certification, we could not reasonably determine whether school districts met the state share requirement of $2,801,658", reviews by OHCA program staff have found that it appears schools comfortably meet their state match requirements when actual school based service expenditures were further analyzed. OHCA will continue to work closely with the schools to ensure certification statements are completed correctly, only appropriate expenditures are used as state match, and that allowable funding sources are used appropriately.

School-Based Service Rates

In the Additional Areas of Concern section, the report indicates that 9 of the 32 payment rates for school-based services were not documented with methods and standards used to set the rates. We have reviewed these rates, which are scheduled in Appendix E of the OIG report, and have found that these rates were in fact set according to rates paid for comparable child-health clinic services, which themselves have not been adjusted for over 15 years.

More specifically, in 1986, the Oklahoma Department of Human Services, the Medicaid agency at the time, established rates for public entities, such as the Title V agency, to provide services to children. The OHCA used these already established rates because they are for the same services provided by the school districts under school-based health services. The rates were appropriately tied to costs encountered by the Oklahoma State Department of Health in the 1980's. Furthermore, Oklahoma Statute would have required that these fixed rates be reviewed and approved by a formal rates and standards committee, and then subsequently be taken before the entire Oklahoma Department of Human Service Commission prior to final approval.

Billing Agency Involvement in the School-Based Medicaid Program

OHCA concurs that billing agency fees should not be based on a percentage or other basis to the amount that is billed or collected and not dependent upon the collection of payment. OHCA continues to work closely with the schools regarding the use of billing agencies. This area has been addressed in training seminars, the OHCA manual, and the school-based contracts. OHCA believes that great strides have been made since SFY2000 regarding the use of billing agencies. As an example, a number of school districts now submit their billing agent contracts to OHCA for review and approval before they will enter into such a contract.

OHCA concurs that one billing agency placed health service providers in two school districts without having a contract with the school districts to do so. OHCA became aware of this situation prior to the OIG audit and implemented changes that prohibited an entity from providing both services beginning in SFY 2001.

Qualifications of School-Based Service Providers

The second paragraph under the heading "Qualifications of School-Based Service Providers" states, "The OHCA **allowed** school districts to determine whether health service providers were qualified to provide Medicaid services, although the school districts did not always have a clear understanding of the federal and state provider requirements."

The programmatic relationship between OHCA and the school districts is that of a partnership with the common objective being access to school-based health services to Medicaid eligible children. However, the legal relationship is that of contractor; the school districts are their own separate entities with their own separate management.

Contractually, as a condition of receiving federal funds, the school districts agree to comply with applicable federal and state laws and regulations. OHCA feels that they have a responsibility to provide some level of education and training to assist schools with a better understanding of the laws and regulations but the school districts also have a responsibility to ensure that the appropriate individuals are receiving the training and also to do some level of further regulatory research when they are unsure of issues. Furthermore, the school districts should not only be **allowed**, they should be **required**, to determine whether health service providers were qualified to provide Medicaid services.

OHCA does concur with the OIG finding that speech providers must be ASHA certified or hold equivalent qualifications as an ASHA certified individual. The school districts should be following the applicable federal requirement regarding these qualifications.

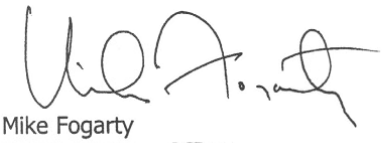
OHCA does respectfully request that the OIG remove the following statements from their final report, "We found one RN supervised six LPN's assigned to different school districts within a wide geographical area. Being responsible for these LPN's assigned to different geographical areas could impede the RN's ability to appropriately supervise the LPN's work." Based on discussions with our medical professional staff, it appears that without the documentation of any problems, these statements are rather subjective. The nature of this type of supervision is not necessarily impeded by physical distance; the importance lies in the ability of the LPN's to be able to reach the RN (i.e., by telephone, for example) and the availability of RN time to supervise each LPN. In this case, it does not appear unreasonable for one RN to supervise six LPN's.

Conclusion

The Oklahoma Health Care Authority would like to again thank you for the opportunity to respond to your report. As administrators of the Medicaid program, we not only recognize our fiduciary responsibilities but emphasize them in our daily operations. We would appreciate your review and consideration of any of these comments.

And finally in closing, we feel that in recognizing the important role school-based health services can play, the Oklahoma Medicaid program continues to be supportive of school centered health care as an effective method of providing access to essential medical care to Medicaid eligible children.

Sincerely,



Mike Fogarty
Chief Executive **Officer**

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Appendix A

OHCA
Schedule of Adjustments to SFY 2000 Claims Paid Data Subsequent to January 2001

School District	Total
Ardmore Public Schools	$198.30
Clinton Public Schools	$22,744.32
Durant Public Schools	$59,058.27
El Reno Public Schools	$15,600.93
Fort Supply Public Schools	$1,822.06
Oklahoma City Public Schools	$27,006.52
Pauls Valley Public Schools	$14,622.31
Total	**$141,052.71**

ACKNOWLEDGMENTS

This report was prepared under the direction of Gordon Sato, Regional Inspector General for Audit Services, Region VI. Other principal Office of Audit Services staff who contributed include:

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