DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

FEB - 7 2006

TO: Dennis G. Smith
Director, Center for Medicaid and State Operations
Centers for Medicare & Medicaid Services

FROM: Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Review of School-Based Health Services in Kansas (A-07-03-00155)

Attached is an advance copy of our final report on school-based health services in Kansas. We will issue this report to Kansas within 5 business days. We conducted the audit as part of a multistate initiative requested by the Centers for Medicare & Medicaid Services.

The Medicaid school-based health services program allows Medicaid reimbursement for health-related services in a school setting. Local education agencies (school districts) provide or arrange such services for children with special needs identified in their individualized education plans. Kansas uses bundled payment rates to reimburse all participating school districts each month for health-related services. The payment rates vary depending on students' primary disabilities. During fiscal years (FYs) 1998-2003, the Federal share for 82 school districts was approximately $135.2 million, of which $27.7 million was for FY 2002.

Our objective was to determine whether Kansas claimed costs for school-based health services provided by selected school districts for FY 2002 in accordance with Federal requirements and the State plan.

Kansas claimed some costs that were not in accordance with Federal requirements or the State plan. This occurred because Kansas provided incorrect or inadequate instructions to local school districts on submitting claims for Medicaid school-based services to the State for reimbursement. Our review of a statistical sample of 300 claims for 3 school districts showed that 217 claims were unallowable for Medicaid reimbursement. The unallowable claims included 139 claims for services that were not rendered and 78 claims that did not have required prescriptions or referrals. As a result, an estimated $5.1 million of the $8.4 million Federal share that Kansas received for FY 2002 for three school districts was unallowable. Because Kansas provided the same billing instructions to all school districts, a portion of the remaining $126.8 million (Federal share) for FYs 1998-2003 may also be unallowable.[1]

[1]The $126.8 million equals the total Federal share ($135.2 million) minus the $8.4 million received for the three sampled school districts.

In addition, many of the sampled claims lacked documentation for such items as place of service, type of service rendered, and units of service provided. Not only is such information required by Federal laws and regulations and the State plan, it also is necessary to enable responsible officials to make informed decisions about the effectiveness of services and the need for additional or alternate services. We did not question the costs associated with these claims because Kansas reimbursed the school districts through bundled rates that provided for one payment for all services.

We recommend that Kansas:

- refund $5.1 million to the Federal Government,
- calculate and refund the portion of the $126.8 million (Federal share) paid to school districts outside of our sample that does not qualify for reimbursement,
- provide correct and adequate billing instructions to school districts, and
- ensure that school districts maintain required documentation supporting health-related services performed.

In its comments on our draft report, Kansas disagreed with our first and second recommendations, saying that we incorrectly questioned claims that lacked a physician's order for occupational therapy or speech-language therapy services. Kansas agreed with the remaining recommendations.

We disagree that we incorrectly questioned claims that lacked a prescription or referral for occupational therapy and speech-language therapy services. Because prescriptions or referrals are required for such services, we did not change our findings and recommendations.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or Patrick J. Cogley, Regional Inspector General for Audit Services, Region VII, at (816) 426-3591. Please refer to report number A-07-03-00155.

Attachment

Office of Audit Services
Region VII
601 East 12th Street, Room 284A
Kansas City, MO 64106
(816) 426-3591

FEB - 8 2006

Report Number: A-07-03-00155

Mr. Scott Brunner
Director of Medical Policy
Department of Social and Rehabilitation Services
915 SW. Harrison Avenue, Room 651-South
Topeka, Kansas 66612-1570

Dear Mr. Brunner:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of School-Based Health Services in Kansas." The report covers Medicaid reimbursement that Kansas received for school-based health services provided by selected school districts for fiscal year 2002. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the 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 reports issued to the Department's grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-07-03-00155 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Thomas Lenz
Regional Administrator, Region VII
Centers for Medicare & Medicaid Services
Richard Bolling Federal Building, Room 227
601 East 12th Street
Kansas City, Missouri 64106

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF SCHOOL-BASED HEALTH SERVICES IN KANSAS

Daniel R. Levinson
Inspector General

FEBRUARY 2006
A-07-03-00155

Office of Inspector General

http://oig.hhs.gov

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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.

EXECUTIVE SUMMARY

BACKGROUND

The Medicaid school-based health services program allows Medicaid reimbursement for health-related services in a school setting. Local education agencies (school districts) provide or arrange such services for children with special needs identified in their individualized education plans. Kansas uses bundled payment rates to reimburse all participating school districts each month for health-related services. The payment rates vary depending on students' primary disabilities.

The Federal share of Medicaid reimbursement for school-based services in Kansas ranged from 59.71 to 63.15 percent of the amounts claimed by school districts for fiscal years (FYs) 1998-2003. During that period, the Federal share for 82 school districts was approximately $135.2 million, of which $27.7 million was for FY 2002.

OBJECTIVE

Our objective was to determine whether Kansas claimed costs for school-based health services provided by selected school districts for FY 2002 in accordance with Federal requirements and the State plan.

SUMMARY OF FINDINGS

Kansas claimed some costs that were not in accordance with Federal requirements or the State plan. This occurred because Kansas provided incorrect or inadequate instructions to local school districts on submitting claims for Medicaid school-based services to the State for reimbursement. Our review of a statistical sample of 300 claims for 3 school districts showed that 217 claims were unallowable for Medicaid reimbursement. The unallowable claims included 139 claims for services that were not rendered and 78 claims that did not have required prescriptions or referrals. As a result, an estimated $5.1 million of the $8.4 million Federal share that Kansas received for FY 2002 for three school districts was unallowable. Because Kansas provided the same billing instructions to all school districts, a portion of the remaining $126.8 million (Federal share) for FYs 1998-2003 may also be unallowable.[1]

In addition, many of the sampled claims lacked documentation for such items as place of service, type of service rendered, and units of service provided. Not only is such information required by Federal laws and regulations and the State plan, it also is necessary to enable responsible officials to make informed decisions about the effectiveness of services and the need for additional or alternate services. We did not question the costs associated with these claims because Kansas reimbursed the school districts through bundled rates that provided for one payment for all services.

[1]The $126.8 million equals the total Federal share ($135.2 million) minus the $8.4 million received for the three sampled school districts.

RECOMMENDATIONS

We recommend that Kansas:

- refund $5.1 million to the Federal Government,
- calculate and refund the portion of the $126.8 million (Federal share) paid to school districts outside of our sample that does not qualify for reimbursement,
- provide correct and adequate billing instructions to school districts, and
- ensure that school districts maintain required documentation supporting health-related services performed.

AUDITEE'S COMMENTS

Kansas did not agree with our recommendations to refund $5.1 million to the Federal Government and to calculate and refund the portion of the $126.8 million that does not qualify for reimbursement. Kansas stated that we incorrectly questioned 76 claims that lacked a physician's order for occupational therapy or speech-language therapy services. Kansas did not address the findings related to 139 claims for services that were not rendered and 2 claims that lacked physician's orders for physical therapy.

Kansas concurred with our recommendations to provide correct and adequate billing instructions to school districts and to ensure that school districts maintain required documentation.

Kansas's comments are included in their entirety as Appendix D.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We disagree with Kansas that we incorrectly questioned 76 claims that lacked a prescription or referral for occupational therapy and speech-language therapy services. Because prescriptions or referrals are required for such services, we did not change our findings and recommendations.

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INTRODUCTION

BACKGROUND

Medicaid School-Based Program

Pursuant to Title XIX of the Social Security Act (the Act), Medicaid pays for medical assistance costs for persons with limited income and resources. This program is a jointly funded cooperative venture between the Federal and State Governments. Each State Medicaid program is administered in accordance with a State plan approved by the Centers for Medicare & Medicaid Services (CMS) to ensure compliance with Federal requirements.

Congress amended section 1903(c) of the Act in 1988 to allow Medicaid coverage of health-related services provided to children pursuant to Part B of the Individuals with Disabilities Education Act. Medicaid may pay for school-based health services included in a child's individualized education plan, including physical therapy, occupational therapy, speech pathology, and psychological services. CMS issued "Medicaid and School Health: A Technical Assistance Guide" (CMS guide) in 1997 to "provide information and technical assistance regarding the specific Federal Medicaid requirements associated with implementing a school health services program and seeking Medicaid funding for school health services." Services must be (1) provided to Medicaid-eligible children, (2) medically necessary, (3) claimed pursuant to Federal and State regulations, and (4) included in the State plan.

States report Medicaid expenditures on Form CMS 64, "Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program" (CMS-64).

Kansas School-Based Program

In Kansas, the Department of Social and Rehabilitation Services administers the Medicaid program. Individual school districts provide or arrange health services for students with special needs when such health services are identified in their individualized education plans.

Instead of using the traditional fee-for-service basis to pay for school-based services, Kansas uses bundled payment rates. In 1997, Kansas developed the rates using data on the cost and utilization of health services by special education students at six school districts during the 1995-96 school year. Because Medicaid-eligible special education students are a subset of special education students, the rates were to be used for determining Medicaid payments. The payment rates vary depending on students' primary disabilities but are flat rates regardless of the number of services provided during the month.

Kansas claims Federal Medicaid reimbursement based on its reimbursement to the school districts. The Federal share of Medicaid reimbursement for school-based services ranged from 59.71 to 63.15 percent of the amounts claimed by school districts for fiscal years (FYs) 1998-2003. During that period, the Federal share for 82 school districts was approximately $135.2 million, of which $27.7 million was for FY 2002.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Kansas claimed costs for school-based health services provided by selected school districts for FY 2002 in accordance with Federal requirements and the State plan.

Scope

We reviewed the three school districts that received the highest Medicaid reimbursements for FY 2002, which totaled approximately $8.4 million (Federal share):

- Wichita ($4.3 million),
- Kansas City ($2.6 million), and
- Central Kansas Cooperative ($1.5 million).

We randomly selected a sample of 100 claims from each school district for a total of 300. Appendix A presents details of our sampling methodology.

We limited our internal control review to Kansas's and the school districts' claims processing systems and procedures to ensure that Medicaid school-based health services were reimbursed in accordance with program requirements.

We conducted this audit in conjunction with our reviews of the accuracy of the calculations Kansas used to create the payment rates (A-07-04-01003) and the accuracy of the payment rates themselves (A-07-05-01018). We used the information obtained and reviewed during the payment rate audits in performing this review.

We performed fieldwork at the Department of Social and Rehabilitation Services office in Topeka, KS, and at the school districts in Kansas City, Wichita, and Salina, KS.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal Medicaid laws and regulations, the CMS guide, and Kansas's State Medicaid plan;
- interviewed Kansas officials and reviewed Kansas's policies and procedures to obtain an understanding of how it processed claims;
- analyzed the cost and utilization data that Kansas used to develop the payment rates to verify the accuracy of the rates;

- reconciled Kansas's payments to school districts for school-based services for FY 2002 to the amount Kansas claimed on the CMS-64 to determine whether Kansas reimbursed the districts and used those costs to determine its Federal Medicaid reimbursement;

- used the data in the Medicaid Management Information System to identify the Federal Medicaid reimbursement to Kansas for school districts not sampled for FYs 1998-2003;

- interviewed school district officials and reviewed policies and procedures to obtain an understanding of school districts' claims submission controls; and

- examined the 300 sampled claims to determine whether services were for Medicaid-eligible students with individualized education plans who attended school and to verify that services were authorized, sufficiently documented, and performed by qualified providers for the month that services were billed to Medicaid.

We conducted our audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Kansas claimed some costs that were not in accordance with Federal requirements or the State plan. This occurred because Kansas provided incorrect or inadequate instructions to local school districts on submitting claims for Medicaid school-based services to the State for reimbursement. Our review of a statistical sample of 300 claims for 3 school districts showed that 217 claims were unallowable for Medicaid reimbursement. The unallowable claims included 139 claims for services that were not rendered and 78 claims that did not have required prescriptions or referrals. As a result, an estimated $5.1 million of the $8.4 million Federal share that Kansas received for FY 2002 for three school districts was unallowable. Because Kansas provided the same billing instructions to all school districts, a portion of the remaining $126.8 million (Federal share) for FYs 1998-2003 may also be unallowable.[1]

In addition, many of the sampled claims lacked documentation for such items as place of service, type of service rendered, and units of service provided. Not only is such information required by Federal laws and regulations and the State plan, it also is necessary to enable responsible officials to make informed decisions about the effectiveness of services and the need for additional or alternate services. We did not question the costs associated with these claims because Kansas reimbursed the school districts through bundled rates that provided for one payment for all services.

UNALLOWABLE CLAIMS

Services Not Rendered

Pursuant to the State plan, Kansas designed the payment rates to reimburse providers for the costs of providing medically necessary services. The plan required Kansas to use "[a]ppropriate

[1]The $126.8 million equals the total Federal share ($135.2 million) minus the $8.4 million received for the three sampled school districts.

rate setting practices . . . [to] . . . ensure appropriate financial reimbursement." Kansas developed the rates using historical cost and utilization factors.

Of the 300 sampled claims, 139 were for services that were not rendered. The school districts submitted these claims based solely on eligibility, whereas the rates were based on service utilization.

Kansas developed the rates by dividing the costs of providing health-related services by the number of special education students who received those services in the base period. However, Kansas instructed school districts to submit claims for all special education students eligible for Medicaid, regardless of whether the students actually received health-related services for that month. These instructions were incorrect because not all special education students receive health-related services. Therefore, claims submitted for students who did not receive services are unallowable, because based on the rates' design, claims should have been submitted only for students who received services.

The claims were submitted in error because Kansas misinterpreted the design of the payment rates and incorrectly instructed school districts how to submit claims. Kansas officials stated that they intended to develop rates based on the number of students eligible for special education, but they agreed that the rates actually were based on the number of special education students who received health-related services.

Prescription and Referral Requirements Not Met

Federal regulations (42 CFR § 440.110) require a physician or another licensed practitioner of the healing arts, within the scope of his or her practice under State law, to provide a prescription for occupational therapy and physical therapy and a referral for speech-language therapy services. In addition, Attachment 3.1-A of the State plan states that an attending physician must prescribe occupational therapy, physical therapy, and speech therapy services. Kansas also issued a provider manual to the school districts that required a physician's order for therapy services.

Of the 300 sampled claims, 76 did not have any of the required prescriptions for occupational therapy or referrals for speech-language therapy services. Two additional claims did not have the required prescriptions for physical therapy services. The 78 claims were unallowable because services provided did not comply with Federal regulations or the State plan.

We questioned only claims that lacked all prescriptions or referrals because Kansas received Medicaid reimbursement for the total claim, not for separate services. We did not question claims for students who received at least one allowable service.

According to Kansas officials, Kansas verbally informed school districts that physician orders were necessary only for physical therapy. However, the State plan and the provider manual stated that physician orders were required for all therapy, including occupational and speech-language therapy.

Although none of the three school districts obtained referrals for speech-language therapy, one did obtain prescriptions for occupational therapy. All three school districts obtained most physical therapy prescriptions.

Summary

Of the 300 claims in our statistical sample, 217 were unallowable.[2] Projecting to the universe of claims paid on behalf of the three school districts for FY 2002, Kansas received $5.1 million that did not qualify for Medicaid reimbursement.[3]

Because Kansas provided the same billing instructions to all school districts, a portion of the remaining $126.8 million (Federal share) for FYs 1998-2003 may also be unallowable.

LACK OF SUPPORTING DOCUMENTATION

Section 2500.2(A) of the "CMS State Medicaid Manual" requires that all supporting documentation be compiled and immediately available when the claim is filed. Supporting documentation includes the date of service; name of the beneficiary; name of the service provider; and nature, extent, or units of service. The provider manual that Kansas issued to the school districts requires the same information for all services performed. Kansas also requires the school districts to maintain documentation of any progress made toward goals.

Two of the three school districts did not maintain required documentation. The documentation supporting health-related services on claims often lacked required information:

- the date of the service (9 claims),
- a description of the service provided (16 claims),
- the name of the service provider (42 claims),
- the duration of the service (33 claims), or
- a description of the progress made toward achieving individualized goals (29 claims).

Kansas did not ensure that all claims contained the required supporting documentation for health-related services. As a result, responsible officials may not have had necessary information to make informed decisions about the effectiveness of services and the need for additional or alternate services. We did not question the costs associated with these claims because Kansas reimbursed the school districts through bundled rates that provided for one payment for all services.

[2]Appendix B delineates the problems found at each of the three school districts.

[3]Appendix C contains the estimations of unallowable costs for each of the three school districts.

RECOMMENDATIONS

We recommend that Kansas:

- refund $5.1 million to the Federal Government,
- calculate and refund the portion of the $126.8 million (Federal share) paid to school districts outside of our sample that does not qualify for reimbursement,
- provide correct and adequate billing instructions to school districts, and
- ensure that school districts maintain required documentation supporting health-related services performed.

AUDITEE'S COMMENTS

Kansas did not agree with our recommendations to refund $5.1 million to the Federal Government and to calculate and refund the portion of the $126.8 million that does not qualify for reimbursement. Kansas stated that we incorrectly questioned 76 claims that lacked a physician's order for occupational therapy or speech-language therapy services. Kansas stated that "a physician's order [for occupational therapy and speech-language therapy services] is not needed" and that we "interpreted the more restrictive state plan language as overriding the program requirements that were consistent with state law and the Federal guidelines for school-based health services." Kansas stated that it would submit an amendment to the State plan "for Federal review and approval and [that] the [provider] manual has been updated to align the requirements with proposed changes in the state plan, as well as, state law and the Federal guidelines." Kansas did not address the findings related to 139 claims for services that were not rendered and 2 claims that lacked physician's orders for physical therapy.

Kansas concurred with our recommendations to provide correct and adequate billing instructions to school districts and to ensure that school districts maintain required documentation.

Kansas's comments are included in their entirety as Appendix D.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We disagree with Kansas that we "interpreted the more restrictive state plan language" with regard to the 76 claims that lacked a prescription or referral for occupational therapy and speech-language therapy services. Federal regulations (42 CFR § 440.110) require a physician or another licensed practitioner of the healing arts to provide a prescription for occupational therapy or a referral for speech-language therapy. In addition, Attachment 3.1-A, section 11.b, of the State plan specifies that "Occupational therapy services . . . must be prescribed by the attending physician . . . ." Section 11.c of the State plan specifies that "Speech and language therapy services . . . must be prescribed by the attending physician . . . ."

Because prescriptions or referrals are required for occupational therapy and speech-language therapy services, we did not change our findings and recommendations.

APPENDIXES

SAMPLING METHODOLOGY

WICHITA SCHOOL DISTRICT

Population

The school-based program sample population consisted of claims made by Kansas for Federal Medicaid reimbursement for fiscal year (FY) 2002 for monthly payments per beneficiary made to the Wichita School District. The school-based claims totaled 19,293 for $4,195,007 (Federal share).

Sampling Unit

Because school districts received one payment per month per beneficiary, the sample unit was a beneficiary/month (claim) for school-based services.

Sample Design

We used a simple random sample design.

Sample Size

We used a sample size of 100 units.

Estimation Methodology

We used the Office of Inspector General (OIG), Office of Audit Services (OAS) Statistical Software Variable Appraisal program for random sampling to estimate the amount of unallowable program expenditures based on the dollar value of the sampled claims that we determined to be paid in error. We reported the estimate of unallowable program expenditures using the difference estimator at the lower limit of the 90-percent two-sided confidence interval.

Sample Results

The results of our review were as follows:

Sample Size	Value of Sample	Number of Claims With Unallowable Payments	Unallowable Payments
100	$21,744	69	$15,003

Variable Projections

The results of our estimations of unallowable Medicaid payments were as follows:

Point estimate	$2,894,598
90-percent confidence interval:	
Lower limit	$2,571,668
Upper limit	$3,217,529

KANSAS CITY SCHOOL DISTRICT

Population

The school-based program sample population consisted of claims made by Kansas for Federal Medicaid reimbursement for FY 2002 for monthly payments per beneficiary made to the Kansas City School District. The school-based claims totaled 14,209 for $2,616,842 (Federal share).

Sampling Unit

Because school districts received one payment per month per beneficiary, the sample unit was a beneficiary/month (claim) for school-based services.

Sample Design

We used a simple random sample design.

Sample Size

We used a sample size of 100 units.

Estimation Methodology

We used the OIG, OAS Statistical Software Variable Appraisal program for random sampling to estimate the amount of unallowable program expenditures based on the dollar value of the sampled claims that we determined to be paid in error. We reported the estimate of unallowable program expenditures using the difference estimator at the lower limit of the 90-percent two-sided confidence interval.

Sample Results

The results of our review were as follows:

Sample Size	Value of Sample	Number of Claims With Unallowable Payments	Unallowable Payments
100	$19,704	58	$10,997

Variable Projections

The results of our estimations of unallowable Medicaid payments were as follows:

Point estimate	$1,562,612
90-percent confidence interval:	
Lower limit	$1,293,934
Upper limit	$1,831,290

CENTRAL KANSAS COOPERATIVE SCHOOL DISTRICT

Population

The school-based program sample population consisted of claims made by Kansas for Federal Medicaid reimbursement for FY 2002 for monthly payments per beneficiary made to the Central Kansas Cooperative School District. The school-based claims totaled 8,998 for $1,502,061 (Federal share).

Sampling Unit

Because school districts received one payment per month per beneficiary, the sample unit was a beneficiary/month (claim) for school-based services.

Sample Design

We used a simple random sample design.

Sample Size

We used a sample size of 100 units.

Estimation Methodology

We used the OIG, OAS Statistical Software Variable Appraisal program for random sampling to estimate the amount of unallowable program expenditures based on the dollar value of the sampled claims that we determined to be paid in error. We reported the estimate of unallowable program expenditures using the difference estimator at the lower limit of the 90-percent two-sided confidence interval.

Sample Results

The results of our review were as follows:

Sample Size	Value of Sample	Number of Claims With Unallowable Payments	Unallowable Payments
100	$16,025	90	$14,250

Variable Projections

The results of our estimations of unallowable Medicaid payments were as follows:

Point estimate	$1,282,240
90-percent confidence interval:	
Lower limit	$1,189,059
Upper limit	$1,375,421

APPENDIX B

NUMBER OF ERRORS FOUND AT SCHOOL DISTRICTS REVIEWED

The following tables delineate the number of errors found at each school district according to the type of error.

Services Not Rendered

School District	Number of Errors
Wichita	49
Kansas City	29
Central Kansas	61
Total	**139**

Prescription and Referral Requirements Not Met

School District	Number of Errors
Wichita	20
Kansas City	29
Central Kansas	29
Total	**78**

APPENDIX C

TOTAL PROJECTED UNALLOWABLE CLAIMS

For each of the three school districts reviewed, we estimated the amount of unallowable claims at the lower limit of the 90-percent two-sided confidence interval. (See Appendix A.)

School District	Projected Unallowable Claims
Wichita	$2,571,668
Kansas City	1,293,934
Central Kansas	1,189,059
Total	**$5,054,661**

The sum of the lower limits of unallowable claims for the three school districts was $5,054,661 for FY 2002.

ROBERT M. DAY, Ph.D, DIRECTOR

K A N S A S

KATHLEEN SEBELIUS, GOVERNOR

DIVISION OF HEALTH POLICY AND FINANCE

December 16, 2005

Mr. Patrick Cogley
Regional Inspector General for Audit Services
Department of Health and Human Services
Region VII
601 East 12th Street
Kansas City, MO 64106

RE: Draft Audit Report # A-07-03-00155

Dear Mr. Cogley:

The Kansas Department of Administration, Division of Health Policy and Finance (DHPF) has reviewed the draft report entitled "Review of School-Based Health Services in Kansas" by the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services (OIG). We appreciate the opportunity to respond to the OIG's findings and recommendations related to this audit.

RECOMMENDATIONS/RESPONSES –

- Refund $5.1 million to the Federal Government

  Response: We do not concur with this finding. Of the 300 claims sampled, 76 of the unallowable claims used to calculate this overpayment were for services that DHPF contends a physician order is not needed. The OIG interpreted the more restrictive state plan language as overriding the program requirements that were consistent with state law and the Federal guidelines for school-based health services. The intent of this program was for the requirements to be consistent among the state plan, state law and Federal guidelines. Therefore, an amendment to the State Plan will be submitted for Federal review and approval and the Local Education Agency Provider manual has been updated to align the requirements with proposed changes in the state plan, as well as, state law and the Federal guidelines. The manual update is enclosed.

- Calculate and refund the portion of the $126.8 million (Federal share) paid to school districts outside of our sample that does not qualify for reimbursement

  Response: We do not concur with this finding. DHPF does not believe that the billings of the three

school districts sampled are truly reflective of the billing practices of all school districts and again DHPF contends that a physician order is not required for some of the services deemed unallowable.

- provide correct and adequate billing instructions to school districts

  Response: We concur with this finding. DHPF updated the billing instructions in the Local Education Agency Provider manual to accurately reflect which services require a Physician's order. DHPF and its contractors provided training for school district staff on the billing instructions.

- ensure that school districts maintain required documentation supporting health-related services performed.

  Response: We concur with this finding. The Local Education Agency Provider manual is very specific regarding documentation requirements for school-based services and DHPF is charged with the responsibility to ensure that supporting documentation is present for services performed. To address the lack of documentation issues that were found during this audit DHPF has increased oversight by adding more reviews through the Service Utilization Reviews Unit, conducting more school district onsite visits and expanding the LEA Documentation training component through Greenbush.

DHPF has also responded to the audit findings by awarding a service contract for the purpose of reviewing, analyzing and potentially restructuring the Bundled Rate methodology and its implementation. This contract was effective as of January 1, 2005.

In summary, we expect these changes or additions will enhance future compliance with both federal and state policy and program regulations.

Thank you for the opportunity to comment on the draft OIG report. Please contact me if there are additional questions.

Sincerely,

Scott Brunner
Director of Medical Policy

SB/BK/dsw
Enclosures (3)
pc: Robert Day, Director, DHPF
Nialson Lee, Administrator, DHPF
Brenda Kuder, Benefits Senior Manager, DHPF
Dan Roehler, Chief Operating Officer, DHPF Kim Sage, State Auditor, DHPF

8400 ~~Update 11/03~~ Update 11/05

KAN Be Healthy screens may be provided and billed by an LEA for eligible Medicaid beneficiaries including those without an Individual Education Plan (IEP) or an Individual Family Service Plan (IFSP). Refer to Section 2020. Kan Be Healthy screens are allowed in addition to the disability procedure codes.

Services delivered by an LEA do not require a referral from the child's Medicaid managed care provider (PCCM or HMO).

Therapy should be provided only for individuals with a Physician Treatment Plan, an IEP or an IFSP. ~~A physician's order is required for therapy.~~ A physician's order is required for physical therapy only.

Services must be **medically necessary** and may be habilitative or rehabilitative for maximum reduction of disability and restoration tot the best possible functional level. Examples of medical services included in the bundled rate payment include, but are not limited to, health screening, vision services, speech/language services, physical therapy, occupational therapy, school nursing services, behavioral rehabilitation services, rehabilitative assistance and medical transportation, including needed assistive technology. Assistive technology or durable medical equipment purchased for any student for whom the bundled rate is claimed is considered to have been purchased with Medicaid funds and is the property of the student. Services which are educationally necessary but not medically necessary will not be covered. Services must be approved and provided by an Early Childhood Intervention (ECI), Head Start or Local Education Agency (LEA) program.

Head Start agencies will not be reimbursed for services which are content of services of the Local Education Agency (LEA) bundled rates.

Occupational therapy services must be provided by a Registered Occupational Therapist or by a Certified Occupational Therapist Assistant working under the supervision of a Registered Occupational Therapist. Physical therapy services must be provided by a Registered Physical Therapist or by a Certified Physical Therapist Assistant working under the supervision of a Registered Physical Therapist.

Supervision must be clearly documented. This may include, but is not limited to, the registered occupational or physical therapist initializing each treatment note written by the certified occupational or physical therapy assistant, or the registered occupationa or physical therapist writing "Treatment was supervised" followed by their signature.

Local education agencies providing Alcohol and Drug Counseling or Family/Student/Health/Human Sexuality Counseling must meet the following provider qualifications:

- **Alcohol and Drug Counseling** - must be provided by an employee of an alcohol and/or Drug abuse treatment facility or certified by the SRS Alcohol and Drug Abuse Services (ADAS).

- **Family/Student/Health/Human Sexuality Counseling** - A psychologist licensed by the Kansas Behavioral Sciences Board, a registered Master's level psychologist, or a Masters level social Worker licensed by the Kansas Behavioral Sciences Board.