



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

NOV 23 2004

Region IX
Office of Audit Services
50 United Nations Plaza
Room 171
San Francisco, CA 94102

Report Number: A-09-04-00040

Mr. Joel Gilbertson
Commissioner
Alaska Department of Health and Social Services
Alaska Office Building, Room 204
P.O. Box 110601
Juneau, Alaska 99811-0601

Dear Mr. Gilbertson:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General final report entitled "Review of Alaska's Medicaid Payments for Skilled Professional Medical Personnel Reimbursed at the Enhanced Rate for the Period October 1, 2002, Through September 30, 2003." A copy of this report will be forwarded to the HHS action official noted on page 2 for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the action official. We request that you respond to the 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), Office of Inspector General reports issued to the Department's grantees and contractors are made available to members of the press and general 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-09-04-00040 in all correspondence.

Sincerely,

Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to Action Official:

R. J. Ruff, Jr., FAAME, CHE
Regional Administrator
Centers for Medicare & Medicaid Services
Blanchard Plaza Building
2201 Sixth Avenue, M/S-40
Seattle, Washington 98121

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF ALASKA'S MEDICAID
PAYMENTS FOR SKILLED
PROFESSIONAL MEDICAL
PERSONNEL REIMBURSED AT THE
ENHANCED RATE FOR THE PERIOD
OCTOBER 1, 2002,
THROUGH SEPTEMBER 30, 2003**



NOVEMBER 2004

A-09-04-00040

Office of Inspector General

<http://oig.hhs.gov>

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

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

Title XIX of the Social Security Act authorizes the Federal Government to reimburse States for costs necessary to administer their Medicaid State plans. In general, the Federal Government reimburses, or matches, Medicaid administrative costs at a rate of 50 percent.

Federal regulations at 42 CFR § 432.50 provide an enhanced matching rate of 75 percent for the compensation and training of skilled professional medical personnel¹ and their supporting staff. Generally, for the enhanced rate to be available, skilled professional medical personnel must have completed a 2-year program leading to an academic degree or certificate in a medically related program and perform activities that require the use of their professional training and experience.

Alaska claimed Federal reimbursement of \$2,130,236 for skilled professional medical personnel for the Federal fiscal year ended September 30, 2003.

OBJECTIVE

Our objective was to determine if Alaska properly claimed Federal Medicaid reimbursement at the enhanced rate for skilled professional medical personnel for the Federal fiscal year ended September 30, 2003.

SUMMARY OF FINDING

Contrary to Federal regulations, Alaska improperly claimed Federal Medicaid reimbursement of \$758,215 at the enhanced rate for skilled professional medical personnel. Specifically, Alaska claimed unallowable costs of \$233,102 and unsupported costs of \$525,113:

- The unallowable costs included costs associated with programs that did not require skilled professional medical personnel, indirect costs that cannot be claimed at an enhanced rate, and an amount due to a calculation error.
- The unsupported costs included costs associated with personal services that were not supported by adequate or approved time reporting methods and related travel costs.

Alaska claimed these costs because it did not have adequate internal controls to ensure that the claim for enhanced Federal reimbursement excluded unallowable and unsupported costs.

¹ Skilled professional medical personnel are physicians, dentists, nurses, and other specialized personnel who have professional education and training in the field of medical care or appropriate medical practice and who are in an employer-employee relationship with the State Medicaid agency.

RECOMMENDATIONS

We recommend that Alaska:

1. refund to the Federal Government the Federal reimbursement of \$233,102² for unallowable costs claimed;
2. work with the Centers for Medicare & Medicaid Services (CMS) to determine what portion of the unsupported costs claimed was associated with skilled professional medical personnel activities, and refund the portion of the \$525,113 found to be unallowable; and
3. develop and implement internal controls to ensure that Federal reimbursement claimed at the enhanced rate is allowable and properly supported.

ALASKA COMMENTS

In written comments on our draft report, Alaska generally did not concur with our finding and recommendations. Alaska commented that our recommended refund was greatly overstated because our method of quantifying unallowable costs was flawed.

Alaska recognized that it claimed enhanced reimbursement for programs that did not require skilled professional medical personnel. Although the costs claimed were ineligible for reimbursement as skilled professional medical personnel costs, Alaska asserted that these costs were eligible for reimbursement at a 75-percent matching rate under other Medicaid programs. Alaska concurred that a calculation error occurred and stated that corrective action has been taken.

Alaska stated that we should have been able to better quantify the unallowable portion of the personal service and related travel costs using position descriptions that included a percentage of time spent on various duties. Alaska also indicated that its time reporting methods were approved because the Division of Cost Allocation reviewed and approved Alaska's Public Assistance Cost Allocation Plan without questioning the time reporting methods.

OFFICE OF INSPECTOR GENERAL RESPONSE

Based on Alaska's comments on the draft report and our additional analysis, we reclassified the personal service costs and travel costs from unallowable to unsupported. Where appropriate, we made changes in the final report to reflect this reclassification.

For the programs that did not require skilled professional medical personnel, the scope of our review did not include a determination of whether the costs that were inappropriately claimed by Alaska as skilled professional medical personnel costs were allowable under any other Medicaid program or reimbursement rate.

² The draft report recommended a refund of \$758,215. Based on Alaska's comments on the draft report and our additional analysis, we reclassified the personal service costs and travel costs from unallowable to unsupported.

We disagree that our method of quantifying unallowable costs was flawed. For administrative costs to qualify for the enhanced rate, Federal regulations at 42 CFR § 432.50 state that the allocation of personnel and staff costs must be based on either the actual percentages of time spent on allowable duties or another method approved by CMS. The position descriptions provide only an estimate of time to be spent on duties rather than the actual time spent on those duties. Further, according to CMS officials, Division of Cost Allocation approval of a cost allocation plan is not equivalent to CMS approval of an alternative time reporting method.

Alaska did not address the portion of the finding regarding unallowable indirect costs or the recommendation that it develop and implement internal controls to ensure that claims are allowable and properly supported.

We summarized and responded to Alaska's comments in the "Finding and Recommendations" section of the report. The complete text of Alaska's comments is included as an appendix.

INTRODUCTION

BACKGROUND

Title XIX of the Social Security Act authorizes the Federal Government to reimburse States for costs necessary to administer their Medicaid State plans. In general, the Federal Government reimburses, or matches, Medicaid administrative costs at a rate of 50 percent.

An enhanced matching rate of 75 percent is available for the compensation and training of skilled professional medical personnel and their supporting staff. Generally, for the enhanced rate to be available, skilled professional medical personnel must have completed a 2-year program leading to an academic degree or certificate in a medically related program and perform activities that require the use of their professional training and experience.

In Alaska, the Department of Health and Social Services administers the Medicaid program.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine if Alaska properly claimed Federal Medicaid reimbursement at the enhanced rate for skilled professional medical personnel for the Federal fiscal year ended September 30, 2003.

Scope

We reviewed Alaska's claim for Federal reimbursement for skilled professional medical personnel for the period October 1, 2002, through September 30, 2003. The total claim was \$2,130,236.

We limited our review to determining whether the enhanced Federal reimbursement claimed for skilled professional medical personnel was allowable. For costs that did not meet Federal requirements for the enhanced rate, we accepted the costs claimed at the matching rate of 50 percent, unless the costs were specifically unallowable as Medicaid administrative costs. For costs found to be specifically unallowable, we questioned the entire reimbursement.

We did not perform a detailed review of Alaska's internal controls. We limited our review to obtaining an understanding of Alaska's policies and procedures used to claim skilled professional medical personnel costs.

We conducted our fieldwork from March to June 2004, which included visits to Alaska's Department of Health and Social Services office in Juneau.

Methodology

To accomplish our objective, we:

- reviewed Federal regulations and CMS guidance,
- reviewed Alaska's procedures for claiming skilled professional medical personnel costs,
- obtained supporting documentation from Alaska pertaining to the relevant paid claims,
- interviewed employees claimed as skilled professional medical personnel, and
- determined if payments at the enhanced rate were for administrative services provided in a school setting.

We performed the audit in accordance with generally accepted government auditing standards.

FINDING AND RECOMMENDATIONS

Contrary to Federal regulations, Alaska improperly claimed Federal Medicaid reimbursement of \$758,215 at the enhanced rate for skilled professional medical personnel. Specifically, Alaska claimed unallowable costs of \$233,102 and unsupported costs of \$525,113:

- The unallowable costs included costs associated with programs that did not require skilled professional medical personnel, indirect costs that cannot be claimed at an enhanced rate, and an amount due to a calculation error.
- The unsupported costs included costs associated with personal services that were not supported by adequate or approved time reporting methods and related travel costs.

Alaska claimed these costs because it did not have adequate internal controls to ensure that the claim for enhanced Federal reimbursement excluded unallowable and unsupported costs.

FEDERAL REGULATIONS FOR SKILLED PROFESSIONAL MEDICAL PERSONNEL

Skilled professional medical personnel are defined in 42 CFR § 432.2 as:

... physicians, dentists, nurses, and other specialized personnel who have professional education and training in the field of medical care or appropriate medical practice and who are in an employer-employee relationship with the Medicaid agency. It does not include other nonmedical health professionals such as public administrators, medical analysts, lobbyists, senior managers or administrators of public assistance programs or the Medicaid program.

Section 1903(a)(2) of the Social Security Act provides that States are entitled to an amount equal to 75 percent of sums expended for compensation or training of skilled professional medical personnel and staff supporting such personnel.

Federal regulations at 42 CFR § 432.50 state that Federal financial participation is available for expenditures for salary or other compensation, fringe benefits, travel, per diem, and training, at rates determined according to the employee's position. Matching rates above 50 percent apply only to those portions of the employee's work time that are spent carrying out duties in areas for which the higher rate is authorized. The allocation of personnel and staff costs must be based on either the actual percentages of time spent on those duties or another method approved by CMS.

Federal regulations at 42 CFR § 432.50(d)(1) state that the enhanced matching rate of 75 percent is available for skilled professional medical personnel and directly supporting staff if the following criteria are met:

- (i) The expenditures are for activities that are directly related to the administration of the Medicaid program, and as such do not include expenditures for medical assistance;
- (ii) The skilled professional medical personnel have professional education and training in the field of medical care or appropriate medical practice. "Professional education and training" means the completion of a 2-year or longer program leading to an academic degree or certificate in a medically related profession. This is demonstrated by possession of a medical license, certificate, or other document issued by a recognized National or State medical licensure or certifying organization or a degree in a medical field issued by a college or university certified by a professional medical organization. ...
- (iii) The skilled professional medical personnel are in positions that have duties and responsibilities that require those professional medical knowledge and skills.
- (iv) A State-documented employer-employee relationship exists between the Medicaid agency and the skilled professional medical personnel and directly supporting staff; and
- (v) The directly supporting staff are secretarial, stenographic, and copying personnel and file and records clerks who provide clerical services that are directly necessary for the completion of the professional medical responsibilities....

FEDERAL COST PRINCIPLES FOR DETERMINING ALLOWABLE COSTS

For costs to be allowable under Federal awards, they must meet criteria in Office of Management and Budget Circular A-87, attachment A, part C. The costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and must be adequately documented.

UNALLOWABLE COSTS

The unallowable costs of \$233,102 that Alaska claimed included costs associated with programs that did not require skilled professional medical personnel, indirect costs that cannot be claimed at an enhanced rate, and an amount due to a calculation error.

Programs Not Requiring Skilled Professional Medical Personnel and Unallowable Indirect Costs

Alaska claimed costs for six programs that did not require the use of professional medical knowledge or skills and claimed indirect costs that were specifically unallowable for enhanced Federal reimbursement. As a result, Alaska improperly claimed Federal reimbursement totaling \$144,083. The unallowable amount is the difference between the reimbursement calculated at the enhanced rate and the reimbursement calculated at the Medicaid administrative rate.

Alaska Comments

Alaska partially concurred with this part of our finding. Alaska recognized that it claimed enhanced reimbursement for programs that did not require skilled professional medical personnel. Although the costs claimed were ineligible for reimbursement as skilled professional medical personnel costs, Alaska asserted that these costs were eligible for reimbursement at the 75-percent administrative rate under another program and would report adjustments on its CMS-64 for September 30, 2004.

Office of Inspector General Response

We determined that the costs claimed were not reimbursable at the enhanced rate for skilled professional medical personnel. The scope of our review did not include a determination of whether the costs claimed were allowable under any other program or reimbursement rate. We encourage Alaska to work with CMS to ensure that these costs are properly reported. Alaska did not comment on the unallowable indirect costs that were claimed.

Unallowable Amount Due to a Calculation Error

Alaska made a calculation error while developing its claim for enhanced Federal reimbursement. The error occurred because Alaska used incorrect data when accumulating costs for the claim. As a result, Alaska improperly claimed reimbursement totaling \$89,019. The unallowable amount is the total Federal reimbursement claimed.

Alaska Comments

Alaska concurred with this part of our finding, and stated that corrective action has been taken.

UNSUPPORTED COSTS

The unsupported costs of \$525,113 that Alaska claimed included costs associated with personal services that were not supported by adequate or approved time reporting methods and related travel costs.

Personal Service Costs Not Supported by Adequate or Approved Time Reporting Methods

Alaska claimed personal service costs that were not supported by adequate or approved time reporting methods. As a result, Alaska improperly claimed Federal reimbursement totaling \$489,770. The questioned amount is the difference between the reimbursement calculated at the enhanced rate and the reimbursement calculated at the Medicaid administrative rate.

Alaska used various time reporting methods to claim enhanced Federal reimbursement for skilled professional medical personnel and directly supporting staff, including a time study, averages and estimates of hours that were derived from biweekly timesheets, and semiannual time certifications. Alaska did not design these methods to adequately determine the amount of time that individuals worked on eligible skilled professional medical personnel activities, nor did Alaska obtain CMS approval to use these methods to claim enhanced Federal reimbursement. Although individuals may have had the required education, Alaska did not consider whether the individuals' duties, or the time spent on those duties, were eligible skilled professional medical personnel activities.

Alaska Comments

Alaska did not concur with this part of our finding. Alaska commented that our conclusion resulted from a narrow interpretation of the skilled professional medical personnel claiming guidance; it asserted that its claims met all conditions of the Federal program. Alaska indicated that it has defined all duties performed by support staff as administrative functions necessary for skilled professional medical personnel. Also, Alaska stated that CMS had the opportunity to review Alaska's Public Assistance Cost Allocation Plan before the Division of Cost Allocation approved it. It is Alaska's position that Division of Cost Allocation approval was equivalent to CMS approval.

Office of Inspector General Response

Alaska did not meet all Federal program requirements to support its claims. Federal regulations at 42 CFR § 432.50 state that matching rates above 50 percent apply only to those portions of the employee's work time that are spent carrying out duties in areas for which the higher rate is authorized. The allocation of personnel and staff costs must be based on either the actual

percentages of time spent on those duties or another method approved by CMS. The time reporting methods used by Alaska did not track the actual time spent on specific duties for skilled medical professionals or their support staff.

In addition, Alaska did not obtain CMS approval to use any alternative time reporting methodologies. According to CMS officials, Division of Cost Allocation approval of a cost allocation plan is not equivalent to CMS approval of an alternative time reporting method.

Unsupported Travel Costs

Alaska claimed travel costs that were incurred by individuals who were not claimed as skilled professional medical personnel or whose personal service costs were not properly supported. As a result, Alaska improperly claimed Federal reimbursement totaling \$35,343. The questioned amount is the difference between the reimbursement calculated at the enhanced rate and the reimbursement calculated at the Medicaid administrative rate.

Alaska Comments

Alaska partially concurred with this part of our finding. Alaska stated that some of the travel costs were unallowable because it misinterpreted Federal regulations. Alaska disputed the remaining travel costs, stating that these costs would not have been questioned if we had better quantified the associated personal service costs.

Office of Inspector General Response

Travel costs are reimbursable at the enhanced rate only if they are associated with skilled professional medical personnel activities that are allowable and properly supported.

RECOMMENDATIONS

We recommend that Alaska:

1. refund to the Federal Government the Federal reimbursement of \$233,102³ for unallowable costs claimed,
2. work with CMS to determine what portion of the unsupported costs claimed was associated with skilled professional medical personnel activities, and refund the portion of the \$525,113 found to be unallowable, and
3. develop and implement internal controls to ensure that Federal reimbursement claimed at the enhanced rate is allowable and properly supported.

³ The draft report recommended a refund of \$758,215. Based on Alaska's comments on the draft report and our additional analysis, we reclassified the personal service costs and travel costs from unallowable to unsupported.

Alaska Comments

Alaska did not concur with our recommendations and stated that our methodology was flawed. Alaska stated that we should have been able to better quantify the unallowable portion of the personal service and related travel costs using position descriptions that included a percentage of time to be spent on various duties.

Office of Inspector General Response

For administrative costs to qualify for the enhanced rate, Federal regulations at 42 CFR § 432.50 state that the allocation of personnel and staff costs must be based on either the actual percentages of time spent on allowable duties or another method approved by CMS. The documentation that Alaska provided us did not meet this requirement. In addition, Alaska did not comment on our recommendation regarding implementation of internal controls.

The complete text of Alaska's comments is included as an appendix.

APPENDIX

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110601
JUNEAU, ALASKA 99811-0601
PHONE: (907) 465-3030
FAX: (907) 465-3068

September 13, 2004

Lori A. Ahlstrand
Regional Inspector General for Audit Services
Office of Inspector General, Region IX
Office of Audit Services
50 United Nations Plaza, Room 171
San Francisco, CA 94102

RE: Review of Alaska's Medicaid Payments for Skilled Professional Medical
Personnel Reimbursed at Enhanced Rates— Report A-09-04-00040

Dear Ms. Ahlstrand:

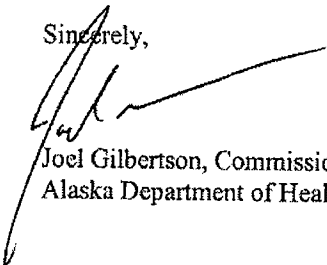
This is in response to a draft report dated August 13, 2004, titled *Review of Alaska's Medicaid Payments for Skilled Professional Medical Personnel Reimbursed at Enhanced Rates*. Department of Health and Social Services is the state Medicaid Agency.

The attached response addresses the findings and recommendations contained in your report. For any questions regarding the response to this report, please contact:

Michelle Grose, Finance Officer
Department of Health and Social Services
P.O. Box 110650
Juneau, Alaska 99811-650

Michelle may also be reached by phone at (907) 465-1690.

Sincerely,



Joel Gilbertson, Commissioner
Alaska Department of Health and Social Services

Department of Health and Social Services
Response to OIG Audit Report A-09-04-00040

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Findings, Recommendations, and Responses:

PERSONAL SERVICE COSTS NOT SUPPORTED BY ADEQUATE OR APPROVED TIME REPORTING METHODS

OIG Finding:

Alaska claimed personal service costs that were not supported by adequate or approved time reporting methods. As a result, Alaska improperly claimed Federal reimbursement totaling \$489,770. The unallowable amount is the difference between the reimbursement calculated at the enhanced rate and the reimbursement calculated at the Medicaid administrative rate.

Alaska used various time reporting methods to claim enhanced Federal reimbursement for skilled professional medical personal and directly supporting staff, including a time study, averages and estimates of hours that were derived from biweekly timesheets, and semiannual time certification. Alaska did not design these methods to adequately determine the amount of time that individuals worked on eligible skilled professional medical personnel activities, nor did Alaska obtain CMS approval to use these methods to claim enhanced Federal reimbursement. Although individuals may have had the required education, Alaska did not consider whether the individuals' duties or the time spent on those duties were eligible professional medical personnel activities.

DHSS Response:

The Department does not concur with this finding.

- **Approved Time Reporting Methods**

The State of Alaska uses several approved and well-established time reporting methodologies as outlined in the Public Assistance Cost Allocation Plan (PACAP)

The State of Alaska has an approved¹ Public Assistance Cost Allocation Plan (PACAP) as required by 42 CFR section 433.34. Federal regulations at 45 CFR Subpart E, section 95.511(a) states "The director, Division of Cost Allocation, *after consulting with the affected operating divisions*² shall notify the State in writing of his/her findings." [Emphasis added] The department implemented the PACAP based on the DCA approved methodologies. If additional information was necessary, such as CMS approval of SPMP

¹ U.S. Health and Human Services, Division of Cost Allocation.

² 45 CFR subpart E 92.505 Definitions. Operating Divisions mean the Department of Health and Human Services (HHS) organizational components responsible for administering public assistance programs. One of the components is Centers for Medicare and Medicaid Services. (CMS)

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staff, this information request should have been made by CMS to the federal Division of Cost Allocation prior to approving the PACAP. It is Alaska's position that the federal Division of Cost Allocation approval is equivalent to CMS's approval. Alaska did follow the approved cost allocation plan and did allocate SPMP correctly. Per the federal regulation above, the department allocated SPMP costs accordingly and correctly.

Additionally, CMS conducts an on-sight review of Alaska's quarterly CMS 64 report. CMS has approved the State of Alaska claim for SPMP costs. CMS federal reviewers have not denied **any** SPMP claim by the State of Alaska. DHSS believes that CMS's pass practice of approving our quarterly e64 report, including the SPMP claim, is approval of SPMP costs.

- Adequate Time Reporting Methods

DHSS believes these finding results from a narrow OIG interpretation of the SPMP claiming guidance used in performing the review. DHSS claims for SPMP meet all required conditions outlined for the federal program. The SPMP support staff performs administrative duties for the eligible SPMP professionals. The OIG auditors explained during their exit conference that some of the State of Alaska's position classifications appeared to be not clerical positions³. For example, Alaska's personnel classification system consists of administrative clerks, administrative assistants, and administrative managers. A position classification determination is based on the level and type of administrative duties performed for the unit. For example, if an administrative position has responsibility for purchasing general office supplies and/or responsibility for data input into Alaska's payroll system, the position could be classified as an administrative assistant as compared to an administrative clerk. It is management's right to assign appropriate duties to staff and its size of the organization that determines a position classification.

DHSS has defined all duties performed by the support staff as administrative functions necessary for the SPMP eligible staff.

**PROGRAMS NOT REQUIRING SKILLED PROFESSIONAL MEDICAL
PERSONNEL AND UNALLOWABLE INDIRECT COSTS**

OIG Finding:

Alaska claimed costs for six programs that did not require the use of professional medical knowledge or skills and indirect costs that were specifically unallowable for enhanced

³ 42CFR section 432.50(d) (v) states "The directly supporting staff are secretarial, stenographic, and copying personnel and file and records clerks who provide clerical services are directly necessary for the completion of the professional medical responsibilities and functions of the skilled professional medical staff."

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Federal reimbursement. As a result, Alaska improperly claimed Federal reimbursement totaling \$144,083. The unallowable amount is the difference between the reimbursement calculated at the enhanced rate and the reimbursement calculated at the Medicaid administrative rate.

DHSS Response:

The Department partially concurs with this finding. DHSS recognizes that expenditures were reported as SPMP that did not meet the definition. However, the cost incurred were 75% administratively reimbursable. Reporting adjustments will be reflected in the quarter ending September 30, 2004 CMS 64 report.

DHSS recognizes that due to a misinterpretation of the regulations, Alaska claimed an individual as SPMP for a profession that does not qualify as SPMP. Alaska will work with the CMS reviewer, during the next on-sight visit, to reimburse CMS a total of \$61,632.

TRAVEL NOT RELATED TO ALLOWED SKILLED PROFESSIONAL MEDICAL PERSONNEL OR NOT PROPERLY SUPPORTED

OIG Finding:

Alaska claimed travel costs that were incurred by individuals who were not claimed as skilled professional medical personnel or whose personal service costs were not properly supported. As a result, Alaska improperly claimed Federal reimbursement totaling \$35,343. The unallowable amount is the difference between the reimbursement calculated at the enhanced rate and the reimbursement calculated at the Medicaid administrative rate.

DHSS Response:

DHSS partially concurs with the recommendation. OIG has disallowed travel costs, totaling \$27,495 associated with the positions due to its narrow interpretation of Alaska's SPMP eligible employees. If OIG had not disallowed the employee costs, the associated travel costs would not have been disallowed. DHSS concurs \$7,848 is unallowable due to misinterpretation of the federal regulations.

CALCULATION ERROR

OIG Finding:

Alaska made a calculation error while developing its claim for enhanced Federal reimbursement. The error occurred because Alaska used an incorrect date when

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accumulating costs for the claim. As a result, Alaska improperly claimed reimbursement totaling \$89,019. The unallowable amount is the total Federal reimbursement claimed.

DHSS Response:

DHSS concurs with the finding. Corrective action has been taken on the calculation error. Furthermore, Alaska received verbal direction, from the previously assigned CMS reviewer during its quarterly review of the CMS 64 report, to submit the federal financial report by its due date. Any corrections or revisions required should be reflected on the next quarters' CMS 64 report. The situation described above, complied with the verbal directive received.

RECOMMENDATIONS

OIG Recommendation:

We recommend that Alaska:

1. Refund the Federal reimbursement of \$758,215 that was improperly claimed
2. Develop and implement internal controls to ensure that Federal reimbursement claimed at the enhanced rate is allowable and properly supported.

DHSS Response:

Alaska does not concur with the OIG recommendations. The OIG methodology to determine disallowed costs is flawed. As indicated in the content of the audit report, the OIG review consisted of reviewing 100% of Alaska's SPMP claims. Reviewing the entire claim should permit OIG to **quantify** the amount of questionable costs. The OIG findings indicate that almost Alaska's entire SPMP claim is disallowed.

Alaska takes exception to OIG's methodology. For example, one of Alaska's SPMP claimable programs is the psychiatric nurse program. The employees are licensed psychiatric nurses whose job duties require the use of their medical knowledge in determining the appropriate psychiatric case plans for children held in custody of the state, monitoring the case plans to ensure treatment is being provided as prescribed, and appropriate changes are made, if the treatment is not successful. The group of employees does not perform any other duties other than the above. OIG questioned this program because the psychiatric nurses also supervise the administrative clerks. The supervision requires writing an annual employee evaluation and these types of activities are not considered SPMP eligible, even though it's a requirement that administrative support staff be directly supervised by the SPMP eligible employee.

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The administrative staff directly supports the psychiatric nurses and is not permitted to perform administrative duties for other DHSS staff. OIG questioned and recommended disallowance of the entire SPMP claim for this program due to 1) less than 5% of activities performed by the psychiatric nurses may not be eligible per the SPMP review guidance, 2) the semi-annual certification completed by one psychiatric nurse indicated that they worked on the Medicaid/Title IV-E⁴ psychiatric program and 3) the administrative support staff were classified as an administrative assistant rather than an administrative clerk.

Alaska provided to OIG position descriptions detailing the percentage of time spent on various duties and job functions. The percentages contained with our position descriptions could have been used to determine, on a reasonable basis, an appropriate dollar amount that was questionable activity. However, OIG choose to question the entire amount claimed as SPMP.

Another program where the entire SPMP claim was disallowed is the mental health clinician. A time study percentage was developed using actual positive timekeeping records for a nine-month period. These records documented the time and effort by SPMP eligible employees. Any amounts in excess by these individuals should have been used as the potential disallowed costs. However, OIG disallowed the entire employee wages, fringe benefits, and travel costs.

DHSS Summary Response:

In summary, the Department of Health and Social Services position is that the OIG audit recommendation to refund \$758,215 is greatly overstated and should be reduced to \$69,480.

The entire FFY 03 DHSS federal SPMP claim of \$2,130,235 would be reduced to \$1,372,017 under the OIG audit recommendations, basically converting all SPMP activities to administrative claims, claimable at 50% rather than 75%. This is ridiculous on its face.

The three primary errors in the OIG analysis are that they determined 1) \$455,327 should be refunded because DHSS did not have approval for the SPMP program, which we have refuted above, 2) \$115,921 should be refunded because they were not SPMP claims, which we agree with, but this group of claims are eligible for 75% reimbursement based on other Medicaid rules, 3) \$89,019 has already been corrected, and 4) \$28,468 in travel expenses should be refunded even through the travel is associated with legitimated SPMP activities and for those who are SPMP eligible.

⁴ Federal eligible guidelines indicated that if an individual is deemed eligible for Title IV-E programs, they are automatically eligible for Medicaid. The eligible rules are stricter for Title IV-E than Medicaid.

Department of Health and Social Services
Response to OIG Audit Report A-09-04-00040

September 13, 2004

Our analysis shows that DHSS should repay only \$69,480 of the recommended amount. The repayment amount consists of \$61,632 for employees not SPMP eligible and \$7848 of travel costs.