OCT 15 2007

TO: Kerry Weems
    Acting Administrator
    Centers for Medicare & Medicaid Services

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


Attached is an advance copy of our final report on Minnesota Medicaid reimbursement for targeted case management (TCM) services. We will issue this report to the State within 5 business days. This audit was part of a nationwide review of TCM Medicaid program payments.

Our objective was to determine whether the State agency’s claim for Medicaid reimbursement of TCM services provided during fiscal years (FY) 2003 and 2004 complied with Federal and State requirements.

Based on our review of 118 claims in 100 sampled beneficiary-months, 7 claims included in 7 beneficiary-months were unallowable because the services were insufficiently documented or unsupported by the case records. The State agency and counties did not ensure that TCM services claimed under the Medicaid program met the documentation requirements prescribed by section 1902(a)(27)(A) of the Social Security Act, sections 2500.2 and 4302.2 of the Centers for Medicare & Medicaid Services “State Medicaid Manual,” section 256B.094 of Minnesota Statutes, and Chapter 30 of the “Minnesota Health Care Programs Provider Manual.” As a result, we estimate that during FYs 2003 and 2004, the State agency claimed $7,311,860 ($3,759,338 Federal share) in TCM costs that were unallowable. We considered the remaining 111 claims included in 93 beneficiary-months to be acceptable.

We recommend that the State agency:

- refund to the Federal Government the $3,759,338 for undocumented and unsupported TCM services and

- ensure that TCM services claimed under the Medicaid program are properly documented and meet Federal and State requirements.
In written comments on our draft report, the State agency did not address our recommendations. The State agency requested information from us for the claims that lacked documentation or were unsupported. Based on the review of these claims, the State agency may modify existing or develop new policies and procedures to correct the problems. We provided the State agency with the requested information. We continue to recommend that the State agency refund $3,759,338 to the Federal Government.

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 through e-mail at George.Reeb@oig.hhs.gov or Marc Gustafson, Regional Inspector General for Audit Services, Region V, at (312) 353-2621 or through e-mail at Marc.Gustafson@oig.hhs.gov. Please refer to report number A-05-05-00059 in all correspondence.

Attachment
REVIEW OF MINNESOTA MEDICAID REIMBURSEMENT FOR TARGETED CASE MANAGEMENT SERVICES FOR FISCAL YEARS 2003 AND 2004
The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

**Office of Audit Services**

The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

**Office of Evaluation and Inspections**

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. Specifically, these evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness in departmental programs. To promote impact, the reports also present practical recommendations for improving program operations.

**Office of Investigations**

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties.

**Office of Counsel to the Inspector General**

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG’s internal operations. OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within HHS. OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops compliance program guidances, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.
THIS REPORT IS AVAILABLE TO THE PUBLIC
at http://oig.hhs.gov

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.
Report Number: A-05-05-00059

Mr. Cal R. Ludeman
Commissioner
Department of Human Services
P.O. Box 64998
St. Paul, Minnesota 55164-0998

Dear Mr. Ludeman:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled “Review of Minnesota Medicaid Reimbursement for Targeted Case Management Services for Fiscal Years 2003 and 2004.” 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 this 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, within 10 business days after the final report is issued, it will be posted on the Internet at http://oig.hhs.gov.

If you have any questions or comments about this report, please do not hesitate to call me or contact Jaime Saucedo, Audit Manager, at (312) 353-8693, or through e-mail at Jaime.Saucedo@oig.hhs.gov. Please refer to report number A-05-05-00059.

Sincerely,

Marc Gustafson
Regional Inspector General
for Audit Services

Enclosure
Direct Reply to HHS Action Official:

Ms. Jackie Garner  
Regional Administrator  
Centers for Medicare & Medicaid Services, Region V  
233 North Michigan Avenue, Suite 600  
Chicago, Illinois  60601
EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

Section 1905(a)(19) of the Act authorizes State Medicaid agencies to provide case management services to Medicaid beneficiaries. Section 1915(g)(2) of the Act defines Medicaid case management as “services which will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services.”

A 2001 CMS letter to State Medicaid directors refers to case management services as targeted case management (TCM) when the services are furnished to specific populations in a State. The letter provides that allowable TCM services for Medicaid-eligible beneficiaries include assessment of the beneficiary to determine service needs, development of a specific care plan, referral to needed services, and monitoring and followup. The letter specifies that allowable Medicaid case management services do not include direct medical, educational, or social services to which the Medicaid-eligible individual has been referred.

Following Federal law, CMS guidance (including the CMS “State Medicaid Manual”), and the “Minnesota Health Care Programs Provider Manual,” the Minnesota Department of Human Services (State agency) administers the Medicaid program by working with the State’s 87 counties. County human service agencies determine eligibility for medical assistance and administer the programs. The counties may provide TCM services directly or through contracts with vendors.

CMS approved four Minnesota State plan amendments related to case management services for four targeted groups: child welfare, mental health, vulnerable adults or adults with mental retardation or related conditions, and relocation service coordination. Under the State plan amendments, the State agency claimed $346,601,957 ($179,747,775 Federal share) for TCM services provided during Federal fiscal years (FY) 2003 and 2004.

OBJECTIVE

Our objective was to determine whether the State agency’s claim for Medicaid reimbursement of TCM services provided during FYs 2003 and 2004 complied with Federal and State requirements.
SUMMARY OF FINDINGS

Based on our review of 118 claims in our 100 sampled beneficiary-months, 7 claims included in 7 beneficiary-months were unallowable because the services were insufficiently documented or unsupported by the case records. The State agency and counties did not ensure that TCM services claimed under the Medicaid program met the documentation requirements prescribed by section 1902(a)(27)(A) of the Act, sections 2500.2 and 4302.2 of the CMS “State Medicaid Manual,” section 256B.094 of Minnesota Statutes, and Chapter 30 of the “Minnesota Health Care Programs Provider Manual.” As a result, we estimate that during FYs 2003 and 2004, the State agency claimed $7,311,860 ($3,759,338 Federal share) in TCM costs that were unallowable. We considered the remaining 111 claims included in 93 beneficiary-months to be acceptable.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government the $3,759,338 for undocumented and unsupported TCM services and
- ensure that TCM services claimed under the Medicaid program are properly documented and meet Federal and State requirements.

STATE AGENCY’S COMMENTS AND OFFICE OF INSPECTOR GENERAL’S RESPONSE

In written comments on our draft report, the State agency did not address our recommendations. The State agency requested information from us for those claims that lacked documentation or were unsupported. Based on the review of these claims, the State agency may modify existing or develop new policies and procedures to correct the problems. The State agency’s response is summarized in the body of the report and is included in its entirety as Appendix B to the report.

We provided the State agency with the requested information. We continue to recommend that the State agency refund $3,759,338 to the Federal Government.
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INTRODUCTION

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

Medicaid Targeted Case Management Services

Section 1905(a)(19) of the Act authorizes State Medicaid agencies to provide case management services to Medicaid beneficiaries. Section 1915(g)(2) of the Act defines Medicaid case management as “services which will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services.” CMS’s State Medicaid Director’s Letter 01-013, issued January 19, 2001, refers to case management services as targeted case management (TCM) when the services are furnished to specific populations in a State. Activities commonly understood to be allowable TCM for Medicaid-eligible beneficiaries include assessment to determine service needs, development of a specific care plan, referral to needed services, and monitoring and followup.

Minnesota Department of Human Services

Following the CMS “State Medicaid Manual” and other CMS guidance, the Minnesota Department of Human Services (State agency) administers and monitors the Medicaid program by working with the State’s 87 counties. Under State law, the county human service agencies are responsible for determining the eligibility of beneficiaries for medical assistance and for administering social service programs for child welfare and for people who are mentally ill, chemically dependent, or have physical or developmental disabilities.

In Minnesota, counties provide child welfare services to help keep children safe by providing protective services, out-of-home care, and children’s mental health services. Counties provide services for individuals with mental illness and developmental disabilities so they can live as independently as possible. The counties may provide TCM services to these populations directly or through contracts with vendors.

CMS approved four Minnesota State plan amendments (SPA) regarding TCM services for child welfare, mental health, vulnerable adults, and relocation service coordination. Under the SPAs, the State agency claimed TCM costs totaling $346,601,957 ($179,747,775 Federal share) for services provided during the period October 1, 2002, through September 30, 2004.
OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency’s claim for Medicaid reimbursement of TCM services provided during Federal fiscal years (FY) 2003 and 2004 complied with Federal and State requirements.

Scope

We reviewed TCM services for child welfare, mental health, and vulnerable adults provided by county and contracted agencies from October 1, 2002, through September 30, 2004. The State agency claimed $344,828,772 ($178,828,201 Federal share) for child welfare, mental health, and vulnerable adult TCM services provided during 684,640 beneficiary-months\(^1\) during this period. We did not audit TCM services for relocation service coordination because the Federal share was only $919,574.

The objective of our review did not require an understanding or assessment of the State’s complete internal control structure. Our review of internal controls was limited to understanding claims processing controls. We did not review the propriety of the TCM payment rates.

We performed our fieldwork at the State agency’s offices in St. Paul, Minnesota.

Methodology

To accomplish our audit objective, we:

- reviewed Federal laws, regulations, and other requirements, including the approved SPAs, governing Medicaid reimbursement for TCM services;
- interviewed State agency officials and reviewed the State agency’s TCM policies, procedures, and documentation requirements;
- reconciled the TCM services claimed for Federal reimbursement on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (the CMS-64) by the State agency to its accounting records;
- reviewed the Medicaid claiming process, provider billing procedures, rate methodology, and case record documentation;
- selected a random sample of 100 beneficiary-months with 118 TCM claims submitted by the State agency for Medicaid-eligible beneficiaries;

\(^1\) A beneficiary-month includes all TCM services for a beneficiary for 1 month. The beneficiary-month can include multiple claims from the same or different providers. This occurs when the beneficiary receives TCM services from both county and contracted providers and/or under two target groups, such as child welfare and mental health.
analyzed documentation from the beneficiaries’ case records to determine if the activities performed and documented by the case managers for the 118 sampled TCM claims were in compliance with applicable requirements; and

projected the results of our sample review to the universe of claims. (See Appendix A).

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

FINDINGS AND RECOMMENDATIONS

Based on our review of 118 claims in our 100 sampled beneficiary-months, 7 claims included in 7 beneficiary-months were unallowable because the services were insufficiently documented or unsupported by the case records. The State agency and counties did not ensure that TCM services claimed under the Medicaid program met the documentation requirements prescribed by section 1902(a)(27)(A) of the Act, sections 2500.2 and 4302.2 of the CMS “State Medicaid Manual,” section 256B.094 of Minnesota Statutes, and Chapter 30 of the “Minnesota Health Care Programs Provider Manual” (State provider manual). As a result, we estimate that during FYs 2003 and 2004, the State agency claimed $7,311,860 ($3,759,338 Federal share) in TCM costs that were unallowable. We considered the remaining 111 claims included in 93 beneficiary-months to be acceptable.

PROGRAM REQUIREMENTS

TCM program requirements are contained in Federal law, a CMS program manual, a CMS policy letter to State Medicaid directors, the Minnesota Statutes, and the State provider manual.

Federal Law

Section 1905(a)(19) of the Act authorizes State Medicaid agencies to provide case management services to Medicaid beneficiaries. Section 1915(g)(2) of the Act defines Medicaid case management as “services which will assist individuals eligible under the plan in gaining access to needed medical, social, educational, and other services.”

Centers for Medicare & Medicaid Services “State Medicaid Manual”

The CMS “State Medicaid Manual,” section 4302.2 specifically addresses the documentation requirements for claiming Medicaid TCM. Section 4302.2(G)(1), states:

Expenditures are made on behalf of eligible recipients included in the target group (i.e. there must be an identifiable charge related to an identifiable service provided to a recipient . . . . Payment for services is made following the receipt of a valid provider claim. Providers must maintain case records which indicate all contacts with and on behalf of recipients. The case records must document . . . the nature, extent, or units of service, and the place of service delivery.
Also, section 2500.2(A) of the CMS “State Medicaid Manual” generally instructs States to:

- Report only expenditures for which all supporting documentation, in readily reviewable form, has been compiled and which is immediately available when the claim is filed. Your supporting documentation includes at a minimum the following: date of service, name of recipient, Medicaid identification number, name of provider agency and person providing the service, nature, extent or units of service, and the place of service. [Emphasis in the original.]

**Centers for Medicare & Medicaid Services State Medicaid Director’s Letter**

In the State Medicaid Director’s Letter 01-013, issued January 19, 2001, CMS refers to case management services as TCM when the services are furnished to specific populations in a State. The letter provides that activities commonly understood to be allowable TCM services for Medicaid-eligible beneficiaries include assessment of the beneficiary to determine service needs, development of a specific care plan, referral to needed services, and monitoring and followup.

**Minnesota Statutes and “Minnesota Health Care Programs Provider Manual”**

The Minnesota Statutes specify the documentation necessary when the State claims TCM for child welfare recipients. Section 256B.094, subdivision 7, of Minnesota Statutes states:

> Each individual case record must maintain documentation of routine, ongoing contacts and services. Each claim must be supported by written documentation in the individual case record. Each claim must include . . . the nature and extent of services and the place of the services.

Chapter 30 of the State provider manual also specifies that, for child welfare TCM, “contact/case notes need to include the who, what, when, and why of the contact as well as the relationship of the person contacted to the client.”

**INSUFFICIENT OR NO DOCUMENTATION**

We estimate that the State agency claimed at least $7,311,860 ($3,759,338 Federal share) for unallowable TCM services provided during the period from October 1, 2002, through September 30, 2004. Of the 118 claims reviewed in the 100 sampled beneficiary-months, 7 claims included in 7 beneficiary-months were unallowable because case managers did not properly document or support the case management services in the case notes, as required by section 1902(a)(27)(A) of the Act, sections 2500.2 and 4302.2 of the CMS “State Medicaid Manual,” section 256B.094 of Minnesota Statutes, and Chapter 30 of the State provider manual.

Section 1902(a)(27)(A) of the Act requires providers to keep records that fully disclose the extent of the services provided to Medicaid beneficiaries receiving assistance under the State plan. Section 2500.2 of the CMS “State Medicaid Manual” instructs States to report only expenditures for which all supporting documentation, in readily reviewable form, has been
Although a contact or activity entry was recorded for four claims for TCM services, the case notes were insufficient to determine what services were provided. For example, the only note in the case record supporting one of the claims was “10-31-03 phone no contact home” and in the record for another claim, “office visit with [client] beginning @ 10AM.” The case notes for three claims did not include any documentation to support the provision of claimed services during the sampled month. This condition occurred because the State agency and county human service agencies did not ensure that TCM services were documented in accordance with Federal and State requirements. As a result, the State agency claimed Medicaid reimbursement for TCM services that did not meet Federal and State requirements and were, therefore, unallowable.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government the $3,759,338 for undocumented and unsupported TCM services and
- ensure that TCM services claimed under the Medicaid program are properly documented and meet Federal and State requirements.

STATE AGENCY’S COMMENTS AND OFFICE OF INSPECTOR GENERAL’S RESPONSE

In written comments on our draft report, the State agency did not address our recommendations. The State agency requested information from us for those claims that lacked documentation or were unsupported. Based on the review of these claims, the State agency may modify existing or develop new policies and procedures to correct the problems.

We provided the State agency with the requested information. We continue to recommend that the State agency refund $3,759,338 to the Federal Government.
APPENDIXES
SAMPLING METHODOLOGY AND RESULTS

POPCULATION

The population was 684,640 beneficiary-months of service for beneficiaries receiving Medicaid targeted case management (TCM) services from October 1, 2002, through September 30, 2004.\footnote{We did not audit TCM services for relocation service coordination because the Federal share was only $919,574.} A beneficiary-month was defined as all TCM services for one beneficiary for 1 month. The beneficiary-month can include multiple claims from the same or different providers. This occurs when the beneficiary is receiving TCM services from both county and contracted providers and/or under two target groups, such as child welfare and mental health. The State agency claimed $178,828,201 in Federal reimbursement for these services.

SAMPLE UNIT

The sampling unit was a beneficiary-month for which a TCM service was provided and paid for by the State agency during fiscal years 2003 and 2004.

SAMPLE DESIGN

From the 684,640 beneficiary-months, we selected an unrestricted random sample of 100 beneficiary-months, which included 118 claims totaling $53,808 ($27,906 Federal share).

ESTIMATION METHODOLOGY

We used the Office of Audit Services RAT-STATS variable appraisal program for unrestricted samples to project the amount the Minnesota Department of Human Services paid in unallowable claims due to insufficiently documented or unsupported case records.

SAMPLE RESULTS: INSUFFICIENT OR NO DOCUMENTATION

Of the 118 claims included in the 100 sampled beneficiary-months, 7 beneficiary-months included payment errors totaling $3,241 ($1,673 Federal share). Using the lower limit of the 90-percent confidence interval, we estimate that the State agency claimed $3,759,338 in Federal reimbursement during our audit period for TCM services that were insufficiently documented or unsupported by the case records.
## Estimate of Unallowable Services at the 90-Percent Confidence Level

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<td>Point Estimate</td>
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<td>$11,455,509</td>
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<tr>
<td>Lower Limit</td>
<td>$7,311,860</td>
<td>$3,759,338</td>
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<td>Upper Limit</td>
<td>$37,066,505</td>
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</tr>
<tr>
<td>Precision Amount</td>
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</tr>
<tr>
<td>Precision Percent</td>
<td>67.05%</td>
<td>67.18%</td>
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September 11, 2007

Marc Gustafson
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of the Inspector General for Audit Services
233 North Michigan Avenue, Suite 1360
Chicago, Illinois 60601

RE: Review of Minnesota Medicaid Reimbursement for Targeted Case Management Services
Audit Report Number A-05-05-00059

Dear Mr. Gustafson:

Thank you for the opportunity to review and comment on your report covering Targeted Case Management Services in Minnesota. It is our understanding that our response will be published in the Office of the Inspector General’s final audit report. We appreciated the effort of your staff in keeping the department informed of their progress during the audit. The report's findings and recommendations are:

Recommendation #1: Refund to the Federal Government the $3,759,338 for undocumented and unsupported TCM services.

Recommendation #2: Ensure that TCM services claimed under the Medicaid program are properly documented and Federal and State requirements.

We will be requesting from your audit staff copies of their work papers for those claims that lack documentation or were unsupported to determine the reason(s) that the claims were not supported. Based on our review, the department may modify existing or develop new policies and procedures to correct the problems.

The Department of Human Services policy is to follow-up on all audit findings to evaluate the progress being made to resolve them. Progress is monitored until full resolution has occurred. If you have any further questions, please contact David Ehrhardt, Internal Audit Director, at (651) 4313619.

Sincerely,

Cal R. Ludeman
Commissioner

cc: Leslie Leach