



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

**JUL 29 2005**

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

Report Number: A-09-05-00049

Mr. Anthony D. Rodgers  
Director  
Arizona Health Care Cost Containment System  
801 E. Jefferson  
Phoenix, Arizona 85034

Dear Mr. Rodgers,

Enclosed are two copies of the Department of Health and Human Services, Office of Inspector General (OIG) final report entitled "Audit of Arizona'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 below 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 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-09-05-00049 in all correspondence.

Sincerely,

Lori A. Ahlstrand  
Regional Inspector General  
for Audit Services

Enclosures – as stated

**Direct Reply to HHS Action Official:**

Mr. Jeff Flick  
Regional Administrator, Region IX  
Centers for Medicare & Medicaid Services  
Department of Health and Human Services  
75 Hawthorne Street, 4<sup>th</sup> Floor  
San Francisco, California 94105-3903

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**AUDIT OF ARIZONA'S  
MEDICAID PAYMENTS FOR  
SKILLED PROFESSIONAL MEDICAL  
PERSONNEL REIMBURSED AT THE  
ENHANCED RATE**

**OCTOBER 1, 2002, THROUGH  
SEPTEMBER 30, 2003**



**Daniel R. Levinson  
Inspector General**

**JULY 2005  
A-09-05-00049**

# ***Office of Inspector General***

**<http://oig.hhs.gov>**

---

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***

OIG's 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 in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout HHS.

## ***Office of Evaluation and Inspections***

OIG's Office of Evaluation and Inspections (OEI) conducts short-term management and program evaluations (called inspections) that focus on issues of concern to HHS, the Congress, and the public. The findings and recommendations contained in the inspections reports generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs. OEI also oversees State Medicaid fraud control units, which investigate and prosecute fraud and patient abuse in the Medicaid program.

## ***Office of Investigations***

OIG's 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.

# *Notices*

---

**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.



## **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 provide an enhanced Medicaid matching rate of 75 percent (the enhanced rate) 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.

### **OBJECTIVE**

Our objective was to determine whether the Arizona Health Care Cost Containment System (Arizona) properly claimed Federal Medicaid funding at the enhanced rate for skilled professional medical personnel for the period October 1, 2002, through September 30, 2003.

### **SUMMARY OF FINDING**

Arizona generally complied with Federal regulations when claiming Federal Medicaid funding at the enhanced rate for skilled professional medical personnel.

We noted that Arizona claimed a small amount of overhead costs that was not eligible for reimbursement at the enhanced rate. Arizona's controls did not prevent overhead costs from being claimed for reimbursement at the enhanced rate.

### **RECOMMENDATION**

We recommend that Arizona strengthen controls to ensure that overhead costs are not claimed for Federal reimbursement at the enhanced rate.

### **ARIZONA'S COMMENTS**

Arizona officials agreed with our finding and recommendation. The full text of Arizona's comments is included as an appendix to this report.

## **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.

Federal regulations provide an enhanced Medicaid matching rate of 75 percent (the enhanced rate) 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.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

#### **Objective**

Our objective was to determine whether the Arizona Health Care Cost Containment System (Arizona) properly claimed Federal Medicaid funding at the enhanced rate for skilled professional medical personnel.

#### **Scope**

We reviewed Arizona's claim for \$1,231,002 (\$923,251 Federal share) for skilled professional medical personnel for the period October 1, 2002, through September 30, 2003. We did not review \$517,824 (\$388,368 Federal share) of school-based services claimed as skilled professional medical personnel costs during the audit period.

We limited our review to determining whether Arizona's claims for skilled professional medical personnel were eligible for the enhanced rate of 75 percent. We did not determine the Medicaid allowability of the portion claimed at the 50-percent rate.

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

We conducted fieldwork at the Arizona Health Care Cost Containment System office from March through June 2005 in Phoenix, AZ.

## **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and Centers for Medicare & Medicaid Services guidance;
- reviewed Arizona's procedures for claiming costs of skilled professional medical personnel and their supporting staff;
- obtained supporting documentation from Arizona pertaining to the relevant paid claims; and
- interviewed Arizona departmental personnel and reviewed departmental documentation regarding job qualifications, classifications, and duties for individuals claimed as skilled professional medical personnel.

We discussed discrepancies we noted with Arizona personnel. We performed our audit in accordance with generally accepted government auditing standards.

## **FINDING AND RECOMMENDATION**

Arizona generally complied with Federal regulations when claiming Federal Medicaid funding at the enhanced rate for skilled professional medical personnel.

We noted that Arizona claimed a small amount of overhead costs that was not eligible for reimbursement at the enhanced rate. Arizona's controls did not prevent overhead costs from being claimed for reimbursement at the enhanced rate.

### **FEDERAL REQUIREMENTS 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 (42 CFR § 432.50(a)) state that Federal matching funds are available “...for salary or other compensation, fringe benefits, travel, per diem, and training, at rates determined on the basis of the individual’s position....”

In addition, 42 CFR § 432.50(d) states that the enhanced 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....

### **OVERHEAD COSTS CLAIMED AT ENHANCED RATE**

Arizona claimed a small amount of overhead costs that was not eligible for reimbursement at the enhanced rate. These overhead costs included (1) salaries for personnel responsible for administering payroll and (2) the cost of the statewide computer system and other technology. Federal regulations limit Medicaid funding at the enhanced rate to salary or other compensation, fringe benefits, travel, per diem, or training expenses for skilled professional medical personnel. Arizona’s controls did not prevent overhead costs from being claimed for reimbursement at the enhanced rate.

## **RECOMMENDATION**

We recommend that Arizona strengthen controls to ensure that overhead costs are not claimed for Federal reimbursement at the enhanced rate.

## **ARIZONA'S COMMENTS**

Arizona officials agreed with our finding and recommendation. The full text of Arizona's comments is included as an appendix to this report.

## **APPENDIX**



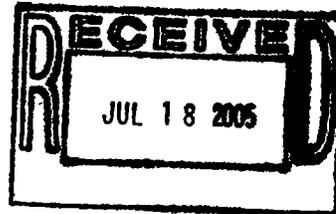
AHCCCS

***Our first care is your health care***

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

*Janet Napolitano, Governor*  
*Anthony D. Rodgers, Director*801 East Jefferson, Phoenix AZ 85034  
PO Box 25520, Phoenix AZ 85002  
phone 602 417 4000  
[www.ahcccs.state.az.us](http://www.ahcccs.state.az.us)

July 15, 2005

Ms. 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

Dear Ms. Ahlstrand,

Thank you for the opportunity to review and comment on the Audit of Arizona's Medicaid Payments for Skilled Professional Medical Personnel (SPMP) Reimbursed at the Enhanced Rate for the period October 1, 2002 through September 30, 2003 (Report Number A-09-05-00049). We appreciate the efforts and professionalism of the OIG Audit team of Tom Lin, Kimberly Kennedy, and Mae Tran. We believe that the audit was comprehensive and demonstrates that our enhanced payments for skilled professional and medical personnel are in compliance with Federal regulations.

AHCCCS concurs with the audit's one finding that a small amount of overhead was incorrectly claimed at the enhanced rate. The overhead costs identified relate to state mandated charges for the Arizona Department of Administration's Personnel Division and the Arizona Government Information Technology Agency. For ease of administration, the state has chosen to charge individual agencies based on a percentage of overall salaries and include these charges in the employee related expenditure (fringe benefit) line. In our efforts to appropriately claim the skilled professional medical personnel fringe benefits at the enhanced rate, these other charges were inadvertently included.

AHCCCS is implementing new accounting controls to ensure that these overhead costs are not included in future claims for enhanced SPMP. We would like to note that of the \$307,750 in enhanced federal claim reviewed, the overhead charges associated with the finding represent only \$2,881 or 0.94% of the total enhanced claim.

If you or you staff require further information, please contact Jeffery Tegen at (602) 417-4705.

Sincerely,

  
Anthony D. Rodgers  
Director

S:\BUD\SHARE\OIG SPMP Review\Response to OIG Draft Report.doc