STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

September 25, 2020

Ms. Kim Tiel
Assistant Superintendent of Special Education
West Shore Educational Service District
2130 W. US 10
Ludington, Michigan 49431

Dear Ms. Tiel:

Enclosed is our final report for the Michigan Department of Health and Human Services (MDHHS) Medicaid School Based Services Program audit of the West Shore Educational Service District (ESD) Medicaid School Based Services Program for the period July 1, 2016 through June 30, 2017.

The final report contains the following: Executive Summary, Exception, Funding Information, Scope and Methodology; Corrective Action Plans; and Glossary. The Corrective Action Plans include the agency's response to the Preliminary Analysis.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

Timothy J. Kubu, CIA, CISA
Manager, Audit and Review Section
MDHHS - Bureau of Audit

Enclosure

cc: Dr. Jason Jeffrey, Superintendent, West Shore ESD
Ms. Carol Phelps, Supervisor of Special Education, West Shore ESD
Ms. Christine McKay, Grant Accountant, West Shore ESD
Deb Hallenbeck, Director, MDHHS – Audit Division
Tracie Bonner, Senior Auditor, MDHHS – Audit Division
Kabeer Singh, Auditor, MDHHS – Audit Division
Kevin Bauer, Specialist, MDHHS – Medicaid Program Policy Division
Steve Ireland, Manager, MDHHS – Rate Review Section

West Shore Educational Service District

School Based Services Program
Student Claims Audit

For the Period July 1, 2016 through June 30, 2017

Audit Report – Issued September 25, 2020

State of Michigan
Department of Health and Human Services
Bureau of Audit
Audit Division

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Below is a summary of our audit objective, conclusion, and exception:

Audit Objective #1 - Student Claims	Conclusion
To assess whether West Shore ESD and its LEAs effectively developed student claims in accordance with applicable Federal and State requirements.	Generally Effective
We identified one exception related to student claims.	

Exception 1 Page 2	Insufficient Supporting Documentation for Direct Medical Claims
Criteria	Medicaid Provider Manual, School Based Services, Sections: 6.1.A; 2.4.A; 2.3.A
Corrective Action	Processes have been updated and improved to eliminate invalid claims beginning with West Shore's transition to a new Medicaid vendor at the start of the 2017-2018 school year.
Completion Date	West Shore ESD will review and ensure processes continue to be carried out with fidelity, by November 1, 2020.
Person Responsible	Kim Tiel, West Shore ESD Assistant Superintendent of Special Education. Carol Phelps, West Shore ESD Supervisor of Special Education, Planner/Monitor.

Exception 1
Insufficient Supporting Documentation for Direct Medical Claims

Condition
West Shore Educational Service District did not ensure documentation was maintained to support the validity of Direct Medial Service claims.

Criteria
The Medicaid Provider Manual, School Based Services, Section 6.1.A states:

> *Claim documentation must be sufficient to identify the patient clearly, justify the diagnosis and treatment, and document the results accurately. Documentation must be adequate enough to demonstrate that the service was provided and that the service followed the "approved plan of treatment" (for school-based services, the service must be identified in the child's IEP/IFSP).*

The Medicaid Provider Manual, School Based Services, Section 2.4.A states:

> *All documentation must be reviewed and signed by the appropriately licensed supervising speech-language pathologist or licensed audiologist.*

The Medicaid Provider Manual, School Based Services, Section 2.3.A states:

> *Physical therapy services must be prescribed by a physician or a licensed physician's assistant and updated annually. A stamped physician signature is not acceptable.*

Exception
During our review we identified five of sixty (8.3%) invalid claims in the sample we reviewed including:

- Two claims were invalid because services were provided by a limited licensed professional, where the ESD could not provide documentation of supervision.
- One claim was invalid because the ESD could not provide a physical therapy prescription; and could not provide an attendance record for the date of service.
- Two claims were invalid because the ESD could not provide supporting documentation for transportation, or the documentation provided was incomplete.

Recommendation
We recommend West Shore ESD implement policies and procedures to improve internal controls and ensure sufficient documentation is maintained to comply with the Medicaid Provider Manual regarding the validity of Direct Medical Services claims.

Agency Corrective Action Plan

2.4.A: West Shore ESD uses a vendor whose system requires a supervisor to approve services provided by those with limited licenses such as in Speech-Language Pathology. PCG checks for Supervisor Sign-Off prior to billing. For staff members who require documentation review, the supervising provider uses the service log approval wizard in the PCG System to approve appropriately supervised services. Before billing for these services, PCG checks to see if the services by providers without full licensure were approved in this way by the supervising provider. If the services are not approved, the services do not get billed. West Shore ESD will maintain provider supervisor information in the PCG system in a timely manner.

2.3.A: West Shore ESD now uses a system of scanning and storing scripts in a secure location. Providers use our electronic database for capturing student attendance. West Shore ESD obtains and updates annually referral/order/authorization prescription for certain specified services that must be ordered or referred in writing by a physician (M.D. or D.O.) or licensed practitioner to be covered by Medicaid. West Shore ESD obtains physician authorization scripts and sends them to PCG for upload so that they are documented in the system. PCG checks the date of the physician's or licensed practitioner's order, referral, or authorization prior to billing, based on the documents obtained by West Shore ESD and shared with PCG. Before billing Medicaid for a specified service, PCG will check that the date of service is within the effective date of the physician's or licensed practitioner's order, authorization, or referral provided by West Shore ESD. If the service date is not within the effective dates of the order, authorization, or referral, the service will not be billed.

6.1.A: West Shore ESD now uses an updated process for physical trip logs of scanning and secure storage of the original log. For Specialized Transportation Services, West Shore ESD maintains evidence that the student received specialized transportation on the date of a billed transportation service, and that the student received a Medicaid-covered direct service on the same day. West Shore ESD documents specialized transportation services in the PCG System. PCG then checks that there is a Medicaid covered direct service on the same day of the specialized transportation service. Before billing Medicaid, PCG will check that there is a claimed Medicaid covered direct service on the date of the specialized transportation service. If the service date does not fall on the same date as a claimed Medicaid-covered direct service, the service is not billed.

Completion Date

Processes have been updated and improved upon beginning with our transition to PCG at the start of the 2017-2018 school year. West Shore ESD will review by November 1, 2020 that these processes continue to be carried out with fidelity.

Responsible Individual(s) [Name and Title]

Kim Tiel, West Shore ESD Assistant Superintendent of Special Education.
Carol Phelps, West Shore ESD Supervisor of Special Education, Planner/Monitor.

FUNDING METHODOLOGY

The Administrative Outreach Program (AOP) and Direct Medical Services Program are companion programs. The AOP provides reimbursement for administrative activities required to identify, manage, refer, and develop programs for children at risk of academic failure due to an underlying health issue, including mental health. The Direct Medical Services Program reimburses schools for the cost of providing direct medical services to the special education Medicaid student population.

AOP

Staff salaries and related costs are reported directly to a hired contractor, the Public Consulting Group (PCG), on quarterly financial reports by each of the Local Education Agencies (LEAs). PCG combines the costs per Intermediate School District (ISD), applies various allocation percentages and submits the AOP claim directly to Michigan Department of Health and Human Services (MDHHS) for review, processing, and payment each fiscal quarter. Claim development is based on a "pool" of costs, primarily salaries, incurred by the school districts for individuals that engage in Medicaid-type activities on a regular basis. The percentage of effort spent on Medicaid-type activities is identified by a Random Moment Time Study (RMTS) that is also conducted by PCG. The final amount claimed for Medicaid reimbursement is equal to:

Cost Pools (salaries, overhead, etc.)	**X**	% Time Spent on Medicaid Outreach Administration from RMTS	**X**	Each ISD's Biannual Medicaid Eligibility % Rate	**X**	% Federal Financial Participation (FFP) Rate	**=**	The Claim Submitted for Medicaid Reimbursement

Direct Medical Services

School Based Services (SBS) providers are required to submit Direct Medical Services claims for all Medicaid covered allowable services. These claims do not generate a payment but are required by the Federal Centers for Medicare and Medicaid Services (CMS) in order to monitor the services provided, the eligibility of the recipient, and provide an audit trail. These claims are submitted and processed through the Community Health Automated Medicaid Processing System (CHAMPS); however, the procedure code fee screens are set to pay zero.

SBS providers receive Direct Medical Services funding from interim monthly payments based on prior year actual costs. The interim payments are reconciled on an annual basis to the current year costs by the MDHHS Hospital and Clinic Reimbursement Division (HCRD). Cost reporting and reconciliation are based on the school fiscal year which is July 1 through June 30 of each year. Annually, ISDs and LEAs submit allowable costs to MDHHS in CHAMPS on the Facility Settlement (FS) system. The final amount claimed for Medicaid reimbursement is equal to:

Allowable Costs (FS & Financials for TCM & PCS)	+	Calculated Indirect Costs	X	Annual Average % Time Claimable to Medicaid from the RMTS	X	Each ISD's Medicaid Eligibility % Rate	X	Federal Medical Assistance Percentage (FMAP)	=	Medicaid Reimbursement

The cost settlement is accomplished by comparing the interim payments to the annual Medicaid allowable costs. Any over/under settlement payments are made.

SCOPE AND METHODOLOGY

We examined West Shore ESD's records and activities related to Medicaid student claims for the period July 1, 2016 through June 30, 2017.

Our audit procedures included the following:

- Performed onsite fieldwork at West Shore ESD.

- Reviewed the Quality Assurance Plan and responses to the Audit Questionnaire.

- Reviewed a sample of Direct Medical Services claims, including:
    - Payroll documentation, certification/licensure, Medicaid consent, IEP/IFSPs and all required supporting documentation.

- Reviewed IEP/IFSP for details related to services provided:
    - To verify the diagnosis and treatment are medically necessary.
    - To verify that the IEP/IFSP was signed by quality staff.
    - To verify that the service provided in the claim was identified in the IEP/IFSP.
    - To verify that the student was under the age of 21 years old.
    - To verify the IEP/IFSP contained appropriate short-term and long-term goals.

- Reviewed Student Encounter Logs, Personal Care Service Logs, Provider Verification Logs, and Provider Encounter Logs as applicable for the sample of Direct Medical Services claims.

- Reviewed Provider Licenses to ensure that all providers had the appropriate credentials.

- Reviewed Prescriptions, Referrals and Authorizations to ensure they were obtained for services provided and services were authorized by appropriate professionals.

- Reviewed Attendance Records to verify student attendance on date of service.

- Reviewed transportation claim documentation:
    - To verify Transportation Logs contained details for the student on the date of service.
    - Reviewed Student Encounter documentation to verify that a valid medical service was provided on the same day.

GLOSSARY OF ABREVIATIONS AND TERMS

AOP	Administrative Outreach Program
CHAMPS	Community Health Automated Medicaid Processing System
CMS	Centers for Medicare & Medicaid Services
ESD	Educational Service District
FFP	Federal Financial Participation
FMAP	Federal Medical Assistance Percentage
FS	Facility Settlement
HCRD	Hospital and Clinic Reimbursement Division
IDEA	Individuals with Disabilities Education Act
IEP	Individual Education Plan
IFSP	Individualized Family Services Plan
ISD	Intermediate School District
LEA	Local Education Agency
MDE	Michigan Department of Education
MDHHS	Michigan Department of Health and Human Services
OMB	Office of Management and Budget
PCG	Public Consulting Group
PCS	Personal Care Services
RMTS	Random Moment Time Study
SBS	School Based Services
TCM	Targeted Case Management