

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on The Board of Education's Medicaid Billing Practices For Services Provided to Autistic Students

MD01-189A

MAY 7, 2003



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

May 7, 2003

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the Board of Education's Medicaid billing practices for services provided to its autistic students. The audit covered Fiscal 2001, a period predating the Board's change to the Department of Education.

The results of our audit, which are presented in this report, have been discussed with Department of Education officials, and their comments have been considered in the preparation of this report. Audits such as this provide a means of ensuring that the Department of Education receives reimbursement of funds to which it is entitled by properly billing Medicaid for services it provides to Medicaid-eligible students.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

Report: MD01-189A
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*The City of New York
Office of the Comptroller
Bureau of Management Audit*

**Audit Report on
The Board of Education's Medicaid Billing Practices
For Services Provided to Autistic Students
July 1, 2000–June 30, 2001**

MD01-189A

AUDIT REPORT IN BRIEF

This audit determined whether the Board of Education (the Board) properly billed Medicaid for Medicaid-eligible services provided to its autistic students. The period covered by the audit predated the change of the Board to the Department of Education, a mayoral agency.

Audit Findings and Conclusions

The Board billed Medicaid an estimated \$11.3 million for services provided to autistic students in Fiscal Year 2001. Problems in the Board's billing processes and errors and omissions in its computer system data caused the Board to both underbill and overbill Medicaid for those services. For Fiscal Year 2001, we estimate that the net result of these problems total an additional \$2.9 million for which the Board should have billed Medicaid; the Board would have been entitled to 25 percent of that amount, or \$735,258.

Specifically, the Board:

- Did not identify some autistic students who were Medicaid-eligible. The Board could have billed Medicaid an estimated \$836,052 for services provided to these students.
- Did not follow up on Medicaid claims rejected by the State. Some claims were rejected improperly, and the Board could have recovered an estimated \$243,162 for those claims.
- Lacked adequate controls over its Children Assistance Program (CAP) system. Thus, the Board did not bill Medicaid for eligible services totaling an estimated \$3.1 million and billed for other, non-eligible, services totaling an estimated \$1.3 million.

The billing processes and computer systems that we tested for this audit of Medicaid billings for autistic students were those used by the Board for Medicaid billings for all its eligible special education students. Therefore, the weaknesses we identified in this audit would also affect the Board's billing for all Medicaid-eligible services.

Based on our finding that the Board did not identify some autistic students who were Medicaid-eligible, we estimate that 4,963 (6%) of the Board's 82,713 special education students not considered by the Board to be Medicaid-eligible may indeed have been eligible. This would result in potential additional annual gross revenue of \$19.5 million, of which the Board would have been entitled to 25 percent, or \$4.9 million. This estimate indicates the large potential for additional Medicaid revenue that can be claimed by the Board for services it provides to its students.

Since our other findings are based on specific services that autistic students in our sample either did or did not receive, we did not estimate the potential costs of these findings for the entire special education student population. However, the Medicaid billing problems identified for autistic students would also affect all special education students. If the Board were to review its records for all special education students, it would find a greater amount of lost revenue and revenue to which it is not entitled than the amounts reported here. The recommendations we make regarding the billing practices for Medicaid-eligible services provided to autistic students can be applied to the billing practices for the rest of the special education population as well.

Although unrelated to billing, our review of student records found that the Board did not ensure that autistic students received the services required by their Individualized Education Programs (IEPs) and did not always maintain adequate supporting documentation necessary to claim Medicaid reimbursement.

Audit Recommendations

To address these issues, we make 20 recommendations. The major recommendations are that the Board should:

- Review its Biological (BIO) File information for the 83 autistic students identified during the audit as Medicaid-eligible and bill Medicaid for reimbursable services provided to them.
- Review the criteria it uses in the matching process between the BIO File and the New York State Department of Health (DOH) Medicaid Eligibility File. The Board should consider using social security numbers and student addresses as additional criteria in the matching process.
- Attempt to obtain student social security numbers from parents and enter these numbers in its BIO File.
- Contact DOH to obtain the correct Client Identification Number (CIN) for the students with two CINs.

- Consult the Mayor's Office about how to standardize student addresses that appear in Board and various City agency records.
- Review the State remittance report each month and resubmit any valid claim for which payment was denied.
- Review prior State remittance reports and re-submit claims previously denied under the error codes 152 and 131.
- Correct the CAP information for the students cited in this report whose records in the CAP system were without service start dates and then bill Medicaid for these students.
- Ensure that all services have an accurate start and stop date entered into CAP.
- Correct the billing codes for the students cited in the report whose records of services were miscoded in CAP and then bill Medicaid for these students.
- Review the discrepancies for the students cited in this report whose service start dates in CAP did not reconcile with the service start dates on their attendance cards.
- Develop procedures to ensure information on student attendance cards is correctly entered in CAP.
- Develop procedures to ensure that data entered in CAP accurately reflect the information on student attendance cards.

Discussion of Audit Results

The matters covered in this report were discussed with Board officials during and at the conclusion of this audit. A preliminary draft report was sent to Board officials on November 22, 2002, and was discussed at an exit conference on January 9, 2003. We submitted a draft report to Board officials on January 24, 2003, with a request for comments. We received a written response from Board officials on March 14, 2003.

In their comments, Board officials, responding as Department of Education (Department) officials, acknowledged the problems discussed in our audit report and stated that they have already begun to implement or to partially implement its recommendations. They stated, "The Department is proceeding on several fronts to improve the accuracy of the Medicaid reimbursement claiming process."

The full text of their response is included as an addendum to this report.

INTRODUCTION

Background

The New York City public school system is mandated by the Federal Individuals with Disabilities Education Act (IDEA) to provide special educational services for students with disabilities. Students recommended for special education services are evaluated under the auspices of the Committee on Special Education (CSE) of the New York City Board of Education (now the Department of Education).¹ If a student has been identified as having one of the disabilities based on New York State Regulations,² the CSE specifies the special education services required. One of these disabilities is the developmental disorder autism, a neurological disorder that appears within the first three years of life. Autism has a dramatic impact upon a person's ability to relate to others, to communicate, and to learn.

The CSE develops an Individualized Education Plan (IEP) for each student based on the student's educational needs, not on the primary handicapping condition, and details the services the student will receive. These services may include physical therapy, occupational therapy, speech therapy, psychological counseling, and skilled nursing care.

The Board may obtain Medicaid reimbursement from the Federal government for certain services provided to Medicaid-eligible students with disabilities. The Board's portion of these reimbursements amounts to 25 percent.

Each month, the Board receives from DOH a Medicaid Eligibility File of all Medicaid-eligible children. The Board's Division of Instructional and Information Technology matches this State file against the Board's Automate The Schools subsystem called the BIO File—a database containing student information—to identify the population of students who are eligible for Medicaid reimbursable services. The result of this match is then compared with the Board's CAP file—a database detailing special education services assigned to students through their IEPs. This match produces the population of active Medicaid-eligible students who received "related services" during the month. "Related services" refers to developmental, corrective, and other support services required to assist a student with a disability to benefit from instruction. The file created by the match is known as the Board's Medicaid claim file; it is stored in a computer cartridge and is sent to the State's Medicaid Management Information System, which processes the claims. After claims are processed, the State sends a remittance cartridge, called Medicaid Remittance Data, to the Board, together with a remittance check. (See Attachment 1 for a flowchart of these transactions.)

¹ In this report we refer to the Board of Education, not the Department of Education, since we conducted the audit prior to transfer of school governance to mayoral control in July 2002 as a result of State legislation.

² New York State Regulations include the following categories of disabilities: autism, deaf-blindness, deafness, hearing impairment, emotional disturbance, learning disability, mental retardation, multiple disabilities, orthopedic impairment, other health impairment, speech or language impairment, traumatic brain injury, and visual impairment, including blindness.

According to the Office of Revenue Operations, as of the end of Fiscal Year 2001 the Board had a total of 166,236 students in the special education program. According to Board records, as of April 2001, 3,363 of these students had autism as their primary handicapping condition.

For Fiscal Year 2001, the total gross revenue reported in the Board's Medicaid Revenue Summary report for students receiving related services was \$328.1 million, of which the Board was allowed to keep \$82 million (25%). The State keeps 25 percent of these funds. The remaining funds are later included by the State in the Board's budget. Based on the Board's Medicaid billing data, we estimate that for Fiscal Year 2001, Medicaid billing revenue for autistic students was \$11.3 million³ of which the Board kept \$2.8 million (25%).

Objective

The objective of this audit is to assess whether the Board properly bills Medicaid for Medicaid-eligible related services provided to school-age autistic students.

Scope and Methodology

The scope of our audit was Fiscal Year 2001. To achieve our audit objective and to gain an understanding of the Board's Medicaid billing practices for services provided to autistic students, we interviewed the Director and Assistant Director of the Board's Office of Revenue Operations, the Assistant Manager in charge of the Board's Automate The Schools database, the Superintendent and the Administrative Assistant Superintendent of District 75 Citywide Programs,⁴ and the Deputy Superintendent of the Special Education Initiative. We surveyed ten school districts to determine how personnel entered special education service information into the Board's CAP database. In addition, we interviewed personnel from the New York State Education Department and DOH.

To gain an understanding of the policies, procedures, and regulations governing Medicaid billing and special education, we reviewed the DOH *Medicaid Claiming/Billing Handbook* and the Board's special education services manual. In addition, we reviewed the Board's annual report (PD-1 report) containing the breakdown of the number of special education students by type of disability.

³ Often autistic students are to receive services throughout the year, not just during the school year. Therefore, autistic Medicaid billings were estimated by multiplying the total Medicaid billings for autistic students during our sample month by 12 months to represent an entire year.

⁴ District 75 provides services to special education students with severe disabilities in 60 school organizations at more than 300 school sites in the five boroughs as well as at Syosset and Nanuet. District 75 offers a twelve-month educational program that includes 30 additional days of instruction during the months of July and August.

To assess the Board's internal controls as they relate to our audit objectives, we evaluated information obtained through interviews and reviewed documentation related to the Board's Medicaid billing procedures and policies. We examined and conducted tests of the documentation related to the Board's Medicaid billing procedures and record keeping practices to determine the reliability of the controls in these areas.

We obtained a listing of autistic students for our sample month of April 2001 from the CAP computer system. The Board also provided us with a file extract of Medicaid-eligible special education students from its BIO File database that included the name, date of birth, gender, and address of each autistic student. We matched the autistic student file with the BIO File extract to obtain a list of autistic Medicaid-eligible students according to the Board's computer records.

The Board's Medicaid billing revenue is reported for all special education students in total and not categorized by disabilities. Therefore, to determine Medicaid billing revenue associated with autistic students we determined the total Medicaid billings for autistic students during April 2001 and multiplied that amount by 12 months to represent an entire year.

To determine whether there were autistic students not shown as Medicaid-eligible in the Board's computer records who were in fact eligible, we matched the Board's listing of autistic students as of April 2001 to the DOH Medicaid Eligibility File for April 2001. We did two matches. One was based on student first names, last names, and dates of birth. The other match was based on student first names, last names, and Client Identification Numbers (CIN). We compared these two matches to determine whether any students matched the State file on the first name, last name, and date of birth, but did not have a CIN number included in the Board's computer records. These students were potentially Medicaid-eligible, but without a CIN in the Board's records, they would not be shown as eligible by the Board. For these students, we compared the addresses shown in the DOH Medicaid Eligibility File to the addresses shown in the Board databases to determine whether they were the same students. We reviewed the CAP system extract for April 2001 for those students whom we found were Medicaid-eligible, but who were not shown as Medicaid-eligible in Board computer records, to determine whether they received services that were billable to Medicaid.

To determine whether the Board was correctly billing for services for autistic students it considered to be Medicaid-eligible, we randomly selected a sample of 275 autistic students based on a population of 1,682 autistic students who, according to Board records, received Medicaid-eligible services during our sample month.⁵ Since 86 percent of the 1,682 students was enrolled in District 75 programs, we limited our sample selection to students in that district.

To ensure that students received the services mandated in their IEPs, we compared the IEPs of our sampled students to their attendance cards. We also compared the sampled students' IEP information to the information recorded in the Board's CAP system to ensure that the information recorded in CAP was correct.

⁵ This figure does not include 183 autistic Medicaid-eligible students who did not receive Medicaid-eligible services during April 2001.

To determine whether all related services provided to Medicaid-eligible autistic students were properly billed to Medicaid, we verified whether the services received by our sampled autistic students were listed on the Board's April 2001 Medicaid claim file. We determined whether payments were received from the State for the claims issued by reviewing the remittance report from the State. We also inquired whether the Board took any action regarding the claims rejected by the State to ensure that they were properly reimbursed.

To ascertain whether the Board issued claims for services it did not provide to students, we reviewed the April 2001 attendance cards for our sampled students to ensure they received the services that were listed in the claim data submitted to the State for April 2001. For those who were not shown as receiving services in April 2001, we requested their E-1 Request forms⁶ to determine whether the Board documented students who were not served.

In addition, we reviewed the attendance cards to determine whether they were signed by the school principal if the service was provided at the school or by a parent and provider if the service was provided at home or at the provider's clinic.

To determine whether the Board billed only for services that met DOH minimum frequency requirement for reimbursement, we verified whether students received a specific service at least twice in April 2001 for the services for which the Board billed Medicaid. We reviewed the claim data submitted to the State to ensure that the Board issued only one claim per type of service per student, as required by Medicaid regulations. To assess whether the Board complied with the State guidelines for required reimbursement documentation, we determined whether: the autistic students' IEPs were reviewed every year, the billed services were listed on the IEP, the service start dates were documented, and the attendance cards for the related services were on file.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with Board officials during and at the conclusion of this audit. A preliminary draft report was sent to Board officials on November 22, 2002, and was discussed at an exit conference on January 9, 2003. We submitted a draft report to Board officials on January 24, 2003, with a request for comments. We received a written response from Board officials on March 14, 2003.

⁶ An E-1 Request Form is for students who did not receive services mandated by their IEPs and who therefore require service providers.

In their comments, Board officials, responding as Department of Education (Department) officials, acknowledged the problems discussed in our audit report and stated that they have already begun to implement or to partially implement its recommendations. They stated, “The Department is proceeding on several fronts to improve the accuracy of the Medicaid reimbursement claiming process.”

The full text of their response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

Improvements to Billing Processes and Computer System Data Would Increase Medicaid Revenue and Reduce Billing Errors

The Board billed Medicaid an estimated \$11.3 million for services provided to autistic students in Fiscal Year 2001. Problems in the Board's billing processes, and errors and omissions in its computer system data caused the Board to both underbill and overbill Medicaid for services. The net result of these problems was that in Fiscal Year 2001, the Board would have billed Medicaid an estimated \$2.9 million more that it did.

Specifically, the Board:

- Did not identify some autistic students who were Medicaid-eligible. The Board could have billed Medicaid an estimated \$836,052 for services provided to these students.
- Did not follow up on Medicaid claims rejected by the State. Some claims were rejected improperly, and the Board could have recovered an estimated \$243,162 for those claims.
- Lacked adequate controls over its CAP system that resulted in the Board's not billing Medicaid for eligible services totaling an estimated \$3.1 million.

Table I, following, shows the areas in which the Board did not bill Medicaid for all the eligible services it provided to autistic students. We estimate that for Fiscal Year 2001, the Board did not bill Medicaid \$4,216,950, of which the Board would have been entitled to \$1,054,238 (25%).

TABLE I**Services for Which the Board Did Not Bill Medicaid**
Fiscal Year 2001

Cause	Sample Monthly Amount	Annualized Sample Amount	Annualized Estimated Amount	Board's Share of Annualized Estimated Amount
Board did not identify autistic students who were Medicaid-eligible	\$69,671 ^(a)	\$836,052 ^(a)	\$836,052 ^(a)	\$209,013
Board did not follow up on rejected claims	\$3,002	\$36,024	\$243,162	\$60,791
Service start dates were not entered into the CAP system (b)	\$29,044	\$348,528	\$2,343,902	\$585,975
Services incorrectly coded as "non-billable"	\$577	\$6,924 ^(c)	\$17,898 ^(c)	\$4,475
Service start date in CAP later than start date shown on student attendance cards	(d)	\$114,331	\$775,936	\$193,984
Totals			\$4,216,950	\$1,054,238

(a) Not based on sample, but on entire autistic student population.

(b) These amounts do not include the amounts for the three students already considered under the category, "Services incorrectly coded as 'non-billable.'" "

(c) Actual figure, not an estimate.

(d) Calculated on an annualized basis only.

In addition, poor controls over its CAP system resulted in the Board's billing for non-eligible services totaling an estimated \$1.3 million. Table II, following, shows the areas for which the Board should not have billed Medicaid. We estimate that for Fiscal Year 2001, the Board should not have billed Medicaid \$1,275,916 of which the Board received \$318,980 (25%).

TABLE II

Services for Which the Board Should Not Have Billed Medicaid
Fiscal Year 2001

Cause	Sample Monthly Amount	Annualized Sample Amount	Annualized Estimated Amount	Board's Share of Annualized Estimated Amount
Service start date in CAP earlier than start date shown on student attendance cards	(e)	\$50,530	\$350,150	\$87,538
Services billed that were not provided	\$7,306	\$87,672	\$589,391	\$147,348
Services billed that were not provided the required minimum number of times	\$4,111	\$49,332	\$336,375	\$84,094
Totals			\$1,275,916	\$318,980

(e) Calculated on an annualized basis only.

Although unrelated to billing, our review of student records found that the Board did not ensure that autistic students received the services required by their IEPs and did not always maintain adequate supporting documentation necessary to claim Medicaid reimbursement.

The problems cited above are discussed in greater detail in subsequent sections of this report.

Process and System Enhancements Could Increase Revenue for All Medicaid-Eligible Services

We did not test the Board's Medicaid billing practices for all students receiving related services. However, the billing processes and computer systems that we tested for this audit of Medicaid billings for autistic students are the same used by the Board for Medicaid billings for all eligible special education students. Thus, the weaknesses we identified would affect the Board's billing for all Medicaid-eligible services.

For the Table I category "Board did not identify autistic students who were Medicaid-eligible," we could estimate Medicaid revenue not received for the entire special education student population. There were 166,236 students in special education during Fiscal Year 2001. Based on the Board's records, 83,523 (50.24%) of these 166,236 students were Medicaid-eligible and 82,713 (49.76%) were not considered eligible for Medicaid.

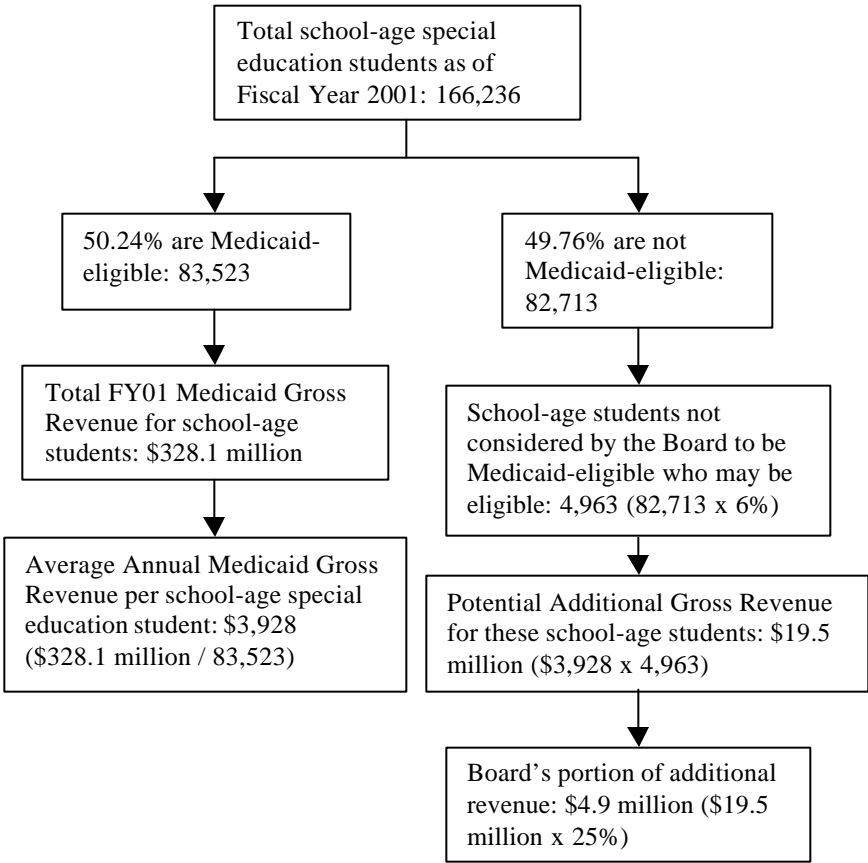
Fiscal Year 2001 Medicaid gross revenue reported by the Board was \$328.1 million for school-age students. A computation using the 83,523 figure for special education students who

were considered eligible for Medicaid by the Board would result in an average annual Medicaid gross revenue of \$3,928 per special education student.

Based on the documents for our autistic student population, 1,865 (55%) of the 3,363 autistic students were considered eligible for Medicaid by the Board, and 1,498 (45%) of the autistic students were not considered eligible for Medicaid during our test period. The audit identified as Medicaid-eligible 83 (6%) of the 1,498 autistic students who were considered by the Board as not Medicaid-eligible.

Based on our findings regarding the autistic students, we estimated that 4,963 (6%) of the 82,713 special education students not considered by the Board to be Medicaid-eligible may indeed have been eligible. Using the average annual gross revenue of \$3,928 per student for Medicaid services would result in potential additional annual gross revenue of \$19.5 million, of which the Board would have been entitled to 25 percent, or \$4.9 million. These estimates indicate the large potential for additional Medicaid revenue that can be claimed by the Board for services it provides to its students.

Below is a flowchart of the process we used to determine the estimated additional revenue the Board could have received by identifying more special education students that were Medicaid-eligible.



Since our other findings are based on specific services autistic students in our sample either did or did not receive, we did not estimate the potential costs of these findings for the entire special education student population. However, the Board follows the same Medicaid billing procedures for all special education students, regardless of disability. Therefore, the Medicaid billing problems identified for autistic students would also affect all special education students. If the Board were to review its records for all special education students, it would find a greater amount of lost revenue and revenue to which it is not entitled than the amounts reported here. Furthermore, the recommendations we make regarding the billing practices for Medicaid-eligible services provided to autistic students can be applied to the billing practices for the rest of the special education population as well.

Matching Process Did Not Identify Students Who Are Medicaid-Eligible

The Board did not identify 83 (6%) of its 1,498 autistic students as Medicaid-eligible. As a result, it did not request Medicaid reimbursement funds amounting to \$69,671 for services provided to these students during April 2001.

The Board matches the DOH Medicaid Eligibility File to its student BIO File every month to determine which students are eligible for Medicaid. A student is considered eligible if the first six characters of the first name and last name as well as gender and date of birth match in both files. These are called “exact matches.” In some cases, a student’s date of birth and gender match, but the spelling of the name is not an exact match. These cases are called “near matches.” In some cases, individuals with more than one CIN on the DOH Medicaid Eligibility File match the information on the Board’s BIO File. These are called “multiple-matches.” The Board receives Medicaid funds only for students who are an exact match to the DOH Medicaid Eligibility File. However, DOH allows the Board to review and correct the records of students who are near matches or multiple matches and receive funding for them as well.

The Board does not investigate its near and multiple matches. According to Board officials, it is too burdensome and time consuming to investigate the large number of cases of near and multiple matches. State officials concurred that the Board does not have the resources to investigate near and multiple matches. By not reviewing and correcting data of near and multiple matches, the Board deprives itself of additional revenues it could generate from the services provided to these students.

To minimize the number of near and multiple matches, the Board should review the criteria it uses to match students to the DOH Medicaid Eligibility File. The Board could consider using student social security numbers when matching its BIO file to the DOH Medicaid Eligibility File. Since social security numbers are unique, this would dramatically increase the number of exact matches. DOH officials told us that all Medicaid-eligible students have a social security number. This number is present in the DOH Medicaid Eligibility File sent to the Board. At the time of this audit the Board did not show student social security numbers in its computer database; however, the data field for this information exists. Student social security numbers could be obtained from parents at the beginning of the school year when student records are updated.

The Board could also use student addresses as a matching criterion. For example, we matched the addresses shown in the DOH File to the Board's BIO File to determine that the 83 students in our sample were Medicaid-eligible. Board officials stated that using an address as a match criterion has limitations since students move. In addition, during the exit conference, Board officials stated that there are some inconsistencies in how student addresses appear in Board records and on the DOH Medicaid Eligibility File, which would limit the effectiveness of using addresses in the matching process. For example, Board records may show an address as 123 Fourth Avenue, but the DOH Medicaid Eligibility File could show the same address accurately as 123 4th Avenue. The addresses on the DOH Medicaid Eligibility File come from other City agencies, such as the Human Resources Administration and the Administration for Children's Services. Board officials stated that the matching process would be enhanced if these agencies and the Board agreed on how to standardize the recording of student addresses.

If the 83 autistic students who were eligible for Medicaid in April 2001, but not identified as such by the Board, received all their mandated services, the Board may have lost \$69,671 by not billing Medicaid for the services during our sample month of April. This represents an estimated loss of \$836,052 ($\$69,671 \times 12$) for Fiscal Year 2001, of which the Board would have been entitled to 25 percent, or \$209,013.

We were unable to test the Board's Medicaid billing practices for all students receiving related services. However, as stated in the previous section, based on our findings regarding the autistic students, we estimated that 4,963 (6%) of the 82,713 special education students not considered Medicaid-eligible by the Board may have been eligible. Therefore, the average annual Medicaid reimbursement to the Board of an estimated \$3,928 per student for these 4,963 students would amount to a potential additional annual gross revenue of \$19.5 million, of which the Board would have been entitled to \$4.9 million (25%). These estimates indicate the large potential for additional Medicaid revenue that can be claimed by the Board for services it provides to its students.

Recommendations

The Board should:

1. Review the BIO File information for the 83 autistic students identified during the audit as Medicaid-eligible and bill Medicaid for reimbursable services provided to them.
2. Review the criteria it uses in the matching process between the BIO File and the DOH Medicaid Eligibility File. The Board should consider using social security numbers and student addresses as additional criteria in the matching process.

Board Response: "The Department has initiated a 'supplemental match' project, which uses a multifaceted approach to identify and claim for students not identified as Medicaid eligible through the computerized matching process. This project uses extensive computer identification of possible matches in combination with an exhaustive manual review of these

possible matches to identify true hits. We are examining not only addresses, but near-misspelling and near birth dates, as well. The Department is also re-evaluating the match program input to identify and implement the best solution to maximizing the population of students identified as Medicaid eligible.”

3. Attempt to obtain student social security numbers from parents and enter these numbers in its BIO File.

Board Response: “The Department has begun to examine the feasibility of implementing the Comptroller’s recommendation that the Department use students’ Social Security numbers to identify Medicaid eligible students. . . . However, since there are issues involved in the use of students’ Social Security numbers, the matter must be carefully weighed before the Comptroller’s recommendation to use Social Security numbers can be addressed.”

4. Contact DOH to obtain the correct CINs for the students with two CINs.

Board Response: “If a child has more than one CIN, it should be considered a finding of NYS Department of Health, which administers the Medicaid program. The Comptroller should forward the list of students with duplicate CIN either directly to the Health Department or to the Department (which we could then forward to the state).”

Auditor Comment: It is the Department’s responsibility to review DOH data during its Medicaid matching process. The Department should review multiple matches to determine which students have a duplicate CIN. If the Department cannot identify the correct CIN, it should contact DOH staff to determine the correct CIN.

We have already provided a list of students with near and multiple matches to Department officials. The Department should review our list, identify students with two CINs, and then forward the list to DOH.

5. Consult the Mayor’s Office about how to standardize student addresses that appear in Board and various City agency records.

Board Response: “The Department uses standardized addresses. We have raised this issue with HRA and representatives from the Mayor’s Office of Health Coordination regarding the matching of student records across agencies; however, the implementation of such a policy may require extensive programming and other resources.”

Lack of Follow-up on Claims Rejected by the State

The Board took no action when claims for four (1.45%) of our 275 sampled autistic students, amounting to \$3,002 for April 2001, were denied reimbursement by the State.

The State sends the Board remittance reports each month and notes the Medicaid claims that were denied and the reason for the denial. However, the Board does not review and reconcile these reports to ensure that the denials are valid.

For the four claims that were rejected for April 2001, two denials had error code 152 notations and two had error code 131 notations. As stated in the Remittance Report Error Message, error code 152 stands for “Medicare Payable Claim/Medicare Should Be Billing First” and error code 131 stands for “Recipient has other insurance/Bill primary carrier first.” However, these students cannot be enrolled in Medicare because they are of school age, and because they are Medicaid-eligible, Medicaid is the primary payer.

According to a written statement from an official of the Office of Revenue Operations:

“Medicaid is the only provider that will pay for school-based health services. The Federal Centers for Medicare and Medicaid Services (CMS) in its draft *Medicaid School-Based Administrative Claiming Guide* indicated that Section 1903 (c) of the Social Security Act makes Medicaid the payer of first resort for Medicaid-eligible services that appear on a student’s Individualized Education Program. As a result, agencies are allowed to claim for these services despite the recipient being enrolled with another carrier.”

After we brought these claims to the attention of the Office of Revenue Operations, we were informed that it would take action to obtain payment for the claims from the State. According to the Office of Revenue Operations official, “The Board is presently working with the State Department of Health to develop an override process to enable us to re-claim for these four services, and other services rejected under the same codes.”

The Board should systematically review the remittance report it receives from the State each month to ensure that all valid claims are reimbursed. Claims for the four autistic students cited above totaled \$3,002 for April 2001. Assuming the students received the same services throughout the year, the Board did not receive Medicaid funds amounting to \$36,024 ($\$3,002 \times 12$) for these students for Fiscal Year 2001. Based on our sample results, we estimate that for the entire autistic population for the fiscal year, the Board did not receive \$243,162,7 of which it would have been entitled to \$60,791 (25%).

Recommendations

The Board should:

6. Review the State remittance report each month and resubmit any valid claim for which payment was denied.
7. Review prior State remittance reports and re-submit claims previously denied under the error codes 152 and 131.

⁷ The estimated figure of \$243,162 is calculated as follows: The total population of autistic students (1,865) multiplied by the sample error rate (1.45%) equals the estimated number of autistic students whose service claims were incorrectly rejected by the State (27). This number was then multiplied by the average annual cost of these claims ($\$36,024/4=\$9,006$) for the estimated total of \$243,162 ($\$9,006 \times 27$).

Board Response: “The Office of Revenue Operations reviews all remittances when they are received, and analyzes them to identify students for possible rebilling. ORO has raised the issue of error codes 152 and 131 with the State Department of Health, and they are determining what action may be taken to prevent claims rejected for these reasons in the future.”

Service Start Dates Not Entered into CAP System

The Board did not enter service start dates into the CAP system for all services for 59 (21%)⁸ of our 275 sampled autistic students during our sample month and as a result did not bill Medicaid \$29,621 for services provided to these students during April 2001.

According to Board officials, claims are issued for a student only if service start dates are entered into the CAP system for the services the student receives. A student who has no service start date entered in CAP will be excluded from the month’s Medicaid billing even though the student received services. For example, one student’s records showed he received speech therapy and occupational therapy services during April 2001. However, the CAP system did not show start dates for those services. Therefore, Medicaid was not billed for those services, even though the student received them.

A Board official stated that possible reasons for the missing service start dates in CAP could also be that when someone makes changes to a student’s record in CAP, that student’s status automatically changes to “Awaiting Board Provider” (APB) status. The person who makes the change is responsible for reentering the student’s service start date, but does not always do so. In addition, CAP automatically changes some students’ status to APB and ADS (Awaiting Delivery of Service) without a valid reason at the beginning of the school year. Therefore, information for those students remains in the CAP system without a service start date.

After we informed Board officials that service start dates were not always entered into CAP, they took steps to help resolve these problems. The Board’s Data Management Office now prepares a status report on the students whose information has been changed in CAP. The Office sends the report to the schools every two weeks, and the schools complete them by writing the correct service start dates of the students. Then, the schools return the reports to the Data Management Office, which enters the start dates into CAP.

By not entering into the CAP system start dates for services provided to students, the Board did not bill Medicaid \$29,621 for services provided during April 2001 to 59 students in our sample. Unless it is informed of a change in student services, the Board updates its CAP records every September. Therefore, assuming the students received the same services throughout the year and assuming the Board did not enter service start dates until September 2001, the Board did not bill Medicaid for \$355,452 (\$29,621 x 12) for school year 2001 for our

⁸ These 59 students include three students whose services were miscoded in CAP, discussed in the next section.

59 sampled students. Based on our sample results, we estimate that for the entire autistic population for the fiscal year, the Board would not have billed Medicaid \$2,361,800,9 of which it would have been entitled to \$590,450 (25%).¹⁰

Recommendations

8. The Board should correct the CAP information for the students cited in this report whose records in the CAP system were without service start dates and then bill Medicaid for these students.

Board Response: “District 75 has taken corrective action on the issue of service start dates by printing transmittal reports from CAP and requiring schools to update caseloads and service start dates.”

9. The Board should ensure that all services have an accurate start and stop date entered into CAP.

Board Response: “District 75 has implemented corrective action for entering service start dates into the CAP system by issuing semi-monthly printouts to each school having students who appear not to be in receipt of their related services. Schools correct the inaccuracies in CAP and retain the printouts. The District 75 Office of Data Management and/or school now regularly review the CAP entries and return students to “receiving status” with their correct start dates.”

Services Incorrectly Coded as Non-Billable

Certain services were miscoded in the CAP system as non-billable to Medicaid. Because of the miscoding of services, the Board did not collect \$577 for services provided to three (1%) of the students in our sample during April 2001.

Services such as Support Team Counseling (CB) and Registered Nurse Services (RN), were erroneously coded as non-billable in the CAP system although they were reimbursable by Medicaid. Therefore, the Board issued no claims for students who received CB and RN services. An official from the Board’s Office of Special Education Initiative School Programs and Support

⁹ The estimated figure of \$2,361,800 is calculated as follows: The total population of autistic students (1,865) multiplied by the sample error rate (21%) equals the estimated number of students in the autistic population with service dates not entered into CAP (392). This number was then multiplied by the average annual cost of services for these sampled autistic students ($\$355,452/59=\$6,025$) for the estimated total of \$2,361,800 ($\$6,025 \times 392$).

¹⁰ The figures in this paragraph are reported in Table I minus the amounts for the three students already considered under the category “Services incorrectly coded as ‘non-billable.’ ”

Services informed us that miscoded services resulted from a programming error that will be corrected.

These errors affected three of the students in our sample and totaled to \$6,924¹¹ in unclaimed fees for the year. If the miscoding of services is calculated for the entire Medicaid-eligible autistic population, the Board did not bill Medicaid for \$17,898 for the fiscal year, of which the Board would have been entitled to \$4,475 (25%).

Recommendations

The Board should:

10. Correct the billing codes for the students cited in the report whose records of services were miscoded in CAP and then bill Medicaid for these students.
11. Ensure that all services billable to Medicaid are so coded in CAP.

Board Response: “The Office of Revenue Operations (ORO), upon notification of the coding change, researched the criteria for the new code for Support Team Counseling (CB), and upon determining that it was an eligible service, changed the billing edits to bill for the services retroactively and prospectively.

“However, ORO did not bill for Registered Nurse Services (RN) for the period of the audit and is not planning to resume billing for services without a change in the fee structure that would justify the dedication of resources to the tasks of reviewing and maintaining appropriate documentation.”

Auditor Comment: ORO should bill Medicaid for the provision of skilled nursing services unless it has evidence affirming that the reimbursement fee developed and evaluated by DOH does not justify the costs of reviewing and maintaining appropriate documentation.

Discrepancies in Service Start Dates Entered In CAP and on Attendance Cards

For 180 (64%) of our 275 sampled autistic students, the service start dates entered in CAP did not reconcile with the service start dates on student attendance cards. The discrepancies involve a total of 277 services. For 155 of these services, affecting 109 students,¹² the start date discrepancies caused the Board to either overbill or underbill Medicaid for student services, as shown on Table III, following.

¹¹ These are actual figures, not estimates.

¹² The remaining 122 related services have start date discrepancies of less than one month; those discrepancies have no effect on billing.

TABLE III

Discrepancies in Service Start Dates
Entered in CAP and on Student Attendance Cards

	One Month to Two Months' Difference	Three to Four Months' Difference	Five to Seven Months' Difference	Total
# of service start dates in CAP earlier than start dates shown on attendance cards	25	14	8	47
# of service start dates in CAP later than start dates shown on attendance cards	51	40	17	108

For 47 of the 155 cases cited in the Table III affecting 43 students, service start dates in CAP were earlier than the start date shown on the student attendance cards. This amounted to \$50,530 in potential overbilling of Medicaid for services for Fiscal Year 2001. For 108 of the 155 cases cited in the above table affecting 66 students, service start dates in CAP were later than the start date shown on the student attendance card. This amounted to \$114,331 in potential underbilling of Medicaid for services in Fiscal Year 2001.

These discrepancies exist mainly because service information is entered manually in CAP and errors occur. No one compares the information on student attendance cards to the information entered in CAP to ensure that it matches.

Based on our sample results, we estimate that for the entire autistic population, for the fiscal year, the Board would have overbilled Medicaid \$350,150,13 of which it received 25 percent, or \$87,538; and underbilled Medicaid for \$775,936,14 of which the Board would have been entitled to 25 percent, or \$193,984.

¹³ The estimated figure of \$350,150 is calculated as follows: The total population of autistic students (1,865) multiplied by the sample error rate (16%) equals the estimated number of autistic students whose services were overbilled (298). This number was then multiplied by the average annual cost of overbilled services for the sampled autistic students (\$50,530/43=\$1,175) for the estimated total of \$350,150 (\$1,175 x 298).

¹⁴ The estimated figure of \$775,936 is calculated as follows: The total population of autistic students (1,865) multiplied by the sample error rate (24%) equals the estimated number of autistic students whose services were underbilled (448). This number was then multiplied by the average annual cost of underbilled services for the sampled autistic students (\$114,331/66=\$1,732) for the estimated total of \$775,936 (\$1,732 x 448).

CAP Does Not Reflect Actual Services Provided to Students

The Board of Education does not verify whether autistic students actually received services or whether they received the required minimum number of services before it bills Medicaid. As a result, \$7,306 in claims were issued for 18 (6.5%) of our 275 sampled students for services they did not receive. In addition, \$4,111 in claims were issued for 11 (4%) of our 275 sampled students, although these students did not receive the minimum number of services required for billing purposes during the month.

The *Medicaid Claiming/Billing Handbook* states, “In order to bill, there must be two billable services within the calendar month.” It also states, “School districts should remove students from the Student Database . . . that have left their school district or have been declassified and for whom all possible claims have been submitted and paid.”

The school or the district is responsible for entering in CAP student service information, such as service start date or service stop date, and service provider information, such as name, social security number, and type of service. If services are terminated or if a provider’s services are terminated, a service stop date should be entered in CAP; otherwise, the CAP system shows the student as receiving services. In addition, for students who are not receiving their mandated services, an E-1 Request Form is sent to the Office of Related and Contractual Services to inform the Office that service providers should be found for those students.

Although E-1 Request Forms were filled out for the 18 autistic students we cited who did not receive their mandated services, those students were still listed in CAP with service start dates. As a result, the Office of Revenue Operations issued claims for those students, even though they did not receive any service. For example, one student’s related service was interrupted for three months and resumed; however, the student continued to be listed in CAP with the initial service start date. Therefore, Medicaid was billed for services during the three-month period that the student did not receive them. In two other cases, students were discharged from their school; however, the students continued to be listed in CAP, and Medicaid was billed for services that the students did not receive.

For these 18 students, the Board billed Medicaid \$7,306 for services they did not receive during April 2001. Assuming this problem persisted throughout the year, the Board may have overbilled Medicaid for \$87,672 ($\$7,306 \times 12$) for our sampled students for Fiscal Year 2001. Based on our sample results, we estimate that for the entire autistic population for the fiscal year, the Board would have overbilled Medicaid for \$589,391,15 of which it would have received 25 percent, or \$147,348.

¹⁵ The estimated figure of \$589,391 is calculated as follows: The total population of autistic students (1,865) multiplied by the sample error rate (6.5%) equals the estimated number of autistic students for whom Medicaid was billed for services they did not receive (121). This number was then multiplied by the average annual cost of billed services that these sampled autistic students did not receive ($\$87,672/18=\$4,871$) for the estimated total of \$589,391 ($\$4,871 \times 121$).

In addition, the Board has no procedure to verify that the information in CAP corresponds to the information on the student attendance cards before it bills Medicaid. As a result, claims were issued for students who did not receive a specific service at least twice during the month, as required for billing purposes. During April 2001, the Board erroneously billed \$4,111 for services provided to 11 students who did not receive the service at least twice during the month. Assuming this problem persists throughout the year, the Board would have overbilled Medicaid for \$49,332 (\$4,111 x 12) for our sampled students for Fiscal Year 2001. Therefore, for the entire autistic population for Fiscal Year 2001, we estimate that the Board would have overbilled Medicaid for \$336,375,¹⁶ of which it would have received 25 percent, or \$84,094.

Lack of Adequate Supporting Documentation

The Board did not have all the required supporting documentation necessary to claim Medicaid reimbursement for services provided to 19 of the students in our sample. The Board could not provide us with the attendance cards for 11 students and the IEPs for 9 students.¹⁷ Medicaid payments for services can be disallowed if the required supporting documentation is not maintained.

According to the *Medicaid Claiming/Billing Handbook*, “New York State mandates that all supporting documentation must be retained for six (6) years from the date the services were billed.”

The required documents supporting Medicaid reimbursement should be kept in the school district files. According to the *Medicaid Claiming/Billing Handbook*, documents supporting Medicaid reimbursement “need to be available if requested to support claims under audit.”

By failing to maintain adequate supporting documentation, the Board may lose Federal funding if the Federal government audits the special education program. The Board billed Medicaid \$9,012 for the services provided in April 2001 to the 19 students we cited.

Recommendations

The Board should:

12. Review the discrepancies for the students cited in this report whose service start dates in CAP did not reconcile with the service start dates on their attendance cards.

¹⁶ The estimated figure of \$336,375 is calculated as follows: The total population of autistic students (1,865) multiplied by the sample error rate (4%) equals the estimated number of autistic students who did not receive a specific service at least twice during the month (75). This number was then multiplied by the average annual cost of services for these students (\$49,332/11=\$4,485) for the estimated total of \$336,375 (\$4,485 x 75).

¹⁷ More than one document was missing for some students.

Board Response: “We will arrange with the company that has obtained and scanned the Department’s related services cards to review the cards of the students cited in this report and determine the accurate start date.”

13. Develop procedures to ensure information on student attendance cards is correctly entered in CAP.

14. Develop procedures to ensure that data entered in CAP accurately reflect the information on student attendance cards.

Board Response: “We hired a company to collect almost 2 million related service attendance cards from the New York City public schools, and scan them into a database following the end of the 2001-02 school year. . . .We are also considering the cost-effectiveness of using the scanned service cards to validate Medicaid reimbursement claims and are exploring options that would allow related service attendance to be recorded electronically. . . .The Department is in the initial stages of designing a student database that will replace CAP with a system that integrates data for all students (General and Special Education) with attendance information.

“Further, OAG [the Department’s Office of the Auditor General] has recently begun implementation of a Special Education Data Integrity and Process Review Program (“Program”), to address broad concerns about the extent to which CAP may not be accurately reflecting actual provision of services and about accountability among staff who are charged with overseeing and delivering services to Special Education students.”

15. Ensure that Medicaid is billed only for students who receive the same service at least twice during the month.

Board Response: “The risk that claims will be submitted where a student does not receive the minimum number of visits in a month is reduced, though not eliminated by the fact that the state-determined threshold for Medicaid reimbursement for related services (two visits per month) is far below the level required to be provided (for example, two sessions per week for speech therapy).”

16. The Board should ensure that supporting documentation is maintained according to Federal retention policy.

Board Response: “Service cards historically have been stored at the schools, which may have insufficient space and resources to store them for extended periods of time. . . .

“Instead of continuing to store related service [attendance] cards at the schools, we hired a company to collect almost 2 million related service attendance cards from the New York City public schools, and scan them into a database following the end of the 2001-02 school year.”

Auditor Comment: The Department should ensure that all student IEPs are also maintained on file.

Other Issue: Students Not Receiving Mandated Services or IEP Reviews

Although not part of our audit objectives, our review of student records disclosed that 54 (20%) of our sampled students did not receive services as mandated in their IEPs. In addition, the IEPs of two students were not reviewed once a year, as required by the Federal government.

In some cases the frequencies of the services received by the students were different from the frequencies recommended by the CSE during the students' IEP review. In other cases the services were provided in a group whose size was different from that specified in the IEP. Also, for all 54 students, the providers did not implement changes made to their IEPs by the CSE or by the schools. In one case, the service provider did not know about the changes made to the student's IEP; consequently, the student received the wrong related services during the school year.

A student's IEP specifies the special education and health-related services to be provided to meet the student's unique educational needs. For the students' educational success, it is imperative that they receive services as detailed in their IEP. This finding has no financial impact regarding the Board's billing of Medicaid services it provides to students. However, the Board should ensure that students receive their mandated services.

Recommendations

17. The Board should ensure that students receive services as mandated on their IEPs.

Board Response: "District 75 has attempted to ensure that all students are in receipt of their mandated related services as noted on their IEP. Many of the related services are shortage areas. . . .The Department attempts to follow Standard Operating Procedures in that:

- Department of Education related service providers are assigned to students, when available.
- If a Department provider is not available, the process for securing a provider through an agency under contract with the Department is initiated.
- When an agency is unable to provide services, a 'Related Service Authorization Packet' is sent to the parent of the student who has not been provided service. The Related Service Authorization is used by the parent to obtain an Independent Provider."

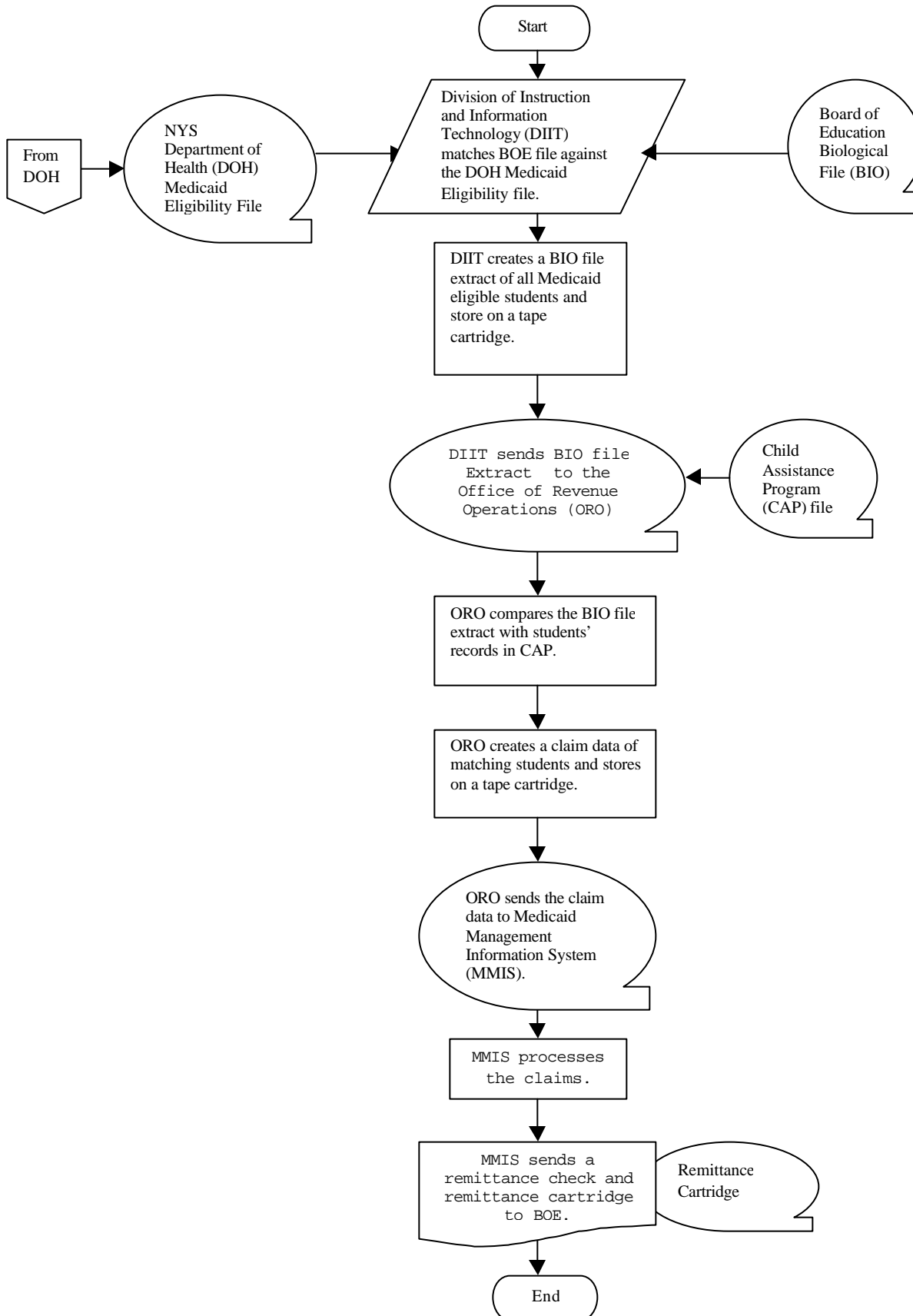
18. The Board should ensure that IEPs are reviewed once a year.

19. The Board should review the cases cited in this report to determine why those students did not receive services as mandated in their IEPs and why their IEPs were not reviewed annually.

20. The Board should determine whether the instances in which students did not receive services as mandated in their IEPs or did not have their IEPs reviewed annually are isolated cases or evidence of a system-wide problem.

Board Response: “All District 75 Schools and Programs are expected to conduct an Annual Review for all students in attendance. The two IEPs that were identified in the audit report were an anomaly and not characteristic of the procedures followed in our district . . . There is a shortage of Speech, Occupational Therapy and Physical Therapy providers nationwide. . . . The Department has been and continues to explore ways to increase the number of providers who can serve students for whom the Department is responsible.”

BOARD OF EDUCATION MEDICAID ELIGIBILITY AND CLAIMING PROCESS





THE NEW YORK CITY DEPARTMENT OF EDUCATION

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March 4, 2003

Faige Hornung
Director of Management Audit
The City of New York
Office of the Comptroller
1 Centre Street, Room 1100 North
New York, NY 10007

Re: Draft Audit Report on the Department of
Education's Medicaid Billing Practices for
Services Provided to Autistic Students
(MD01-189A)

Dear Ms. Hornung:

This letter, with attachments, reflects the New York City Department of Education's ("Department") response to the findings and recommendations made in the above-referenced New York City Comptroller's ("Comptroller") Draft Audit Report ("Draft Report"). The Draft Report asserts that the Department did not identify some autistic students who were Medicaid eligible; did not follow up on claims rejected by the State; and lacked adequate controls in the claiming process, thereby resulting in billing for some services that were not provided and, in a greater number of instances, a failure to bill for covered services that were provided.

While the extrapolation in the Draft Report to the entire related services population is not scientific,¹ the Department agrees generally with the finding that, while some percentage of the claims have been made for students who had not received the minimum number of services in the claimed month, there also are under-claims resulting from, among other things, the Department's inability to identify and bill for all Medicaid-eligible students.

Well before the release of the Comptroller's findings in the instant matter, the Department began to take action to address concerns raised by its own investigation and a United States Department of Health and Human Resources ("USDHHS") audit of Medicaid billing practices by school districts throughout New York State, including the New York City School District. That audit, which began in early January 2002, is currently ongoing. Department offices, including the Offices of Legal Services and Auditor General ("OAG"), have been doing research and analysis of the Department's claiming methodology for compliance with the Medicaid requirements, as articulated by the state and federal governments.² The Department also has requested a meeting with USDHHS officials to address the issues in the Medicaid-claiming process that are discussed in this letter.

¹ As the Department advised the Comptroller, Medicaid claiming is based on the related services provided to students, not their condition. Autism is one among many conditions for which related services are provided. Almost all autistic students (approximately 86%) attending public schools are assigned to the Department's Citywide Programs (District 75) the only District from which the Comptroller chose its sample. District 75, which only oversees Special Education services, has developed data gathering and oversight protocols that may not be in use by Community School Districts.

² The OAG has reviewed related service provider attendance cards for a sample of claims submitted in school year 2000-01, (without regard to the students' primary handicapping condition) and found that, for a percentage of the claims, the

The following describes the steps currently being taken by the Department and provides a response to the Comptroller's recommendations regarding the Department's protocols for identifying Medicaid eligible students, tracking student and related service provider encounters for claiming purposes, and ensuring that mandated services are provided.³

Medicaid Match (Recommendations 1-5)

The Department is working on an analysis of the extent to which we have under-claimed and are under-claiming as a consequence of limitations in the Medicaid match. To that end, the Department has initiated a "supplemental match" project, which uses a multifaceted approach to identify and implement the best solution to maximize the population of students identified as Medicaid eligible. The project, which involves expanding the data fields used for comparison and then searching student files by hand to determine the accuracy of the potential match, has resulted in identification of claims that would not have been made using the older methodology.

In addition, the Department has begun to examine the feasibility of implementing the Comptroller's recommendation that the Department use students' Social Security numbers to identify Medicaid eligible students. For reasons rooted in long-established policy, the Department does not ask for Social Security numbers upon registering students in its schools, assigning to each student, instead, a "New York City Identification Number" for tracking purposes. As the Comptroller has pointed out, a Medicaid matching process that identifies eligible students on the basis of Social Security numbers is more likely to result in accurate matches than the current process of matching pedigree-type information on file with the Department against the State's Medicaid file. However, since there are issues involved in the use of students' Social Security numbers, the matter must be carefully weighed before the Comptroller's recommendation to use Social Security numbers can be addressed.

Improving Accuracy of Claims (Recommendations 9, 13-16)

For several years, the Department has generated claims for Medicaid reimbursement for a large number of children (approximately 45,000) and services by matching student information for related services from its Child Assistance Program ("CAP") computer system with a tape of Medicaid-eligible children up to age 21 received monthly from the state. Information from the child's Individualized Education Plan ("IEP") showing that child has been authorized to receive a related service or services (speech, physical therapy, occupational therapy, counseling), and the frequency with which such services have been authorized, is entered into CAP at the community school district level. Since approximately 1996,⁴ once the child starts receiving the service, the "first attend date" for that service is entered into CAP, thereby changing the child's status from "recommended" to received service to actually "receiving" the services. If a related service is discontinued (for example, if the provider stops providing services, or the services recommended in the IEP changes), the information is required to be entered into CAP, changing the designation back to "recommended." A new first attend date needs to be made to change the child's status back to "receiving." New provider information must be

documentation reflected an insufficient number of encounters to meet the two-visit-per-month threshold required under the state-approved formula for claiming. However, as an offset to over-claiming, the OAG also identified potential services for which the Department did not, but could have claimed because the special education student data base (CAP) did not reflect that certain Medicaid eligible students were actually receiving related services.

³ Responses that address the Department's on going Medicaid matching project and other recommendations in more detail are attached.

⁴ Before that time, CAP recorded only the authorization to receive services.

entered at the start of each school year before CAP will show a receiving status for a given year.⁵ Claims are only submitted for children who are in "receiving" status. In addition, there also is an "edit" in CAP, based on a comparison with information from ATS, our student information system, that precludes generation of a claim for "long-term absentees," that is, students who are absent for at least twenty consecutive school days.

Neither CAP nor any other computerized information system reflects attendance information for related services beyond the initial service date and the termination of services. Ongoing attendance information is recorded manually at the school by related services providers on cards designed for that purpose ("service cards"). These service cards historically have been stored at the schools, which may have insufficient space and resources to preserve them for extended periods of time, much less to use them in any claiming process. However, the risk that claims will be submitted where a student does not receive the minimum number of visits in a month (because of circumstances such as student or teacher absence) is reduced, though not eliminated, by the fact that the state-determined threshold for Medicaid reimbursement for related services (two visits per month) is far below the level required to be provided (for example, two sessions per week for speech therapy).

The Department is proceeding on several fronts to improve the accuracy of the Medicaid reimbursement claiming process. Apart from attempting to quantify and remedy where possible instances of under-claiming, we are trying to come up with a cost-effective method to validate claiming with ongoing attendance information. One option that may serve in the short-term, is to build upon the model of the OAG 2001 study (See footnote 2, above) by comparing a random sample of Medicaid claims for an entire school year with the school-based services cards and perhaps other pertinent information, to establish a more precise (albeit statistical) measure of the extent to which there is an apparent shortfall of services behind the claim, and then to quantify and build in an under-claiming factor.

In addition, instead of continuing to store related service cards at schools, we hired a company to collect almost 2 million related service attendance cards from the New York City public schools, and scan them into a database following the end of the 2001-02 school year. Pending development of an alternative method for collecting ongoing student/provider attendance information, we plan to have the attendance cards collected and scanned at least on an annual basis. We are also considering the cost-effectiveness of using the scanned service cards to validate Medicaid reimbursement claims and are exploring options that would allow related service attendance to be recorded electronically. If such a system is developed, Medicaid claims conceivably could be developed from this new database, and not simply from the information in CAP. And, as part of a longer-range plan, the Department is in the initial stages of designing a student database that will replace CAP with a system that integrates data for all students (General and Special Education) with attendance information.

Further, OAG has recently begun implementation of a Special Education Data Integrity and Process Review Program ("Program"), which it developed to address broad concerns about the extent to which CAP may not be accurately reflecting actual provision of services and about accountability among staff who are charged with overseeing and delivering services to Special Education students.

⁵ In addition to losing the potential for claiming when a student's awaiting status is not changed to receiving, delayed entry into CAP of a child's initial receipt of Medicaid service – a circumstance that is not uncommon – also could result in under-claiming. While the Department does not begin generating Medicaid reimbursement claims from CAP until after the end of the month to which the claim applies, there may be times when the entry of the first service date is delayed beyond that period, and that reimbursement claims for the month are processed without picking up the belated entry. The Department currently has no mechanism to capture instances in which such under-claiming has occurred, but we are attempting to get a sense of the magnitude of such instances.

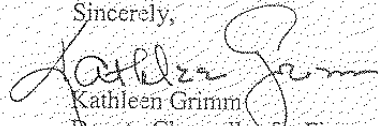
Initial results point to some of the same conditions noted by the Comptroller, to wit, that first attend dates are sometimes either not entered into CAP at all or are entered inaccurately. OAG has been sharing its findings with the Division of Student Support Services, Office of Revenue Operations and Division of Instructional and Information Technology as it considers the new student database design. Changes are being made in CAP to reflect that students are actually receiving services where that status has been confirmed by the OAG's field observations and to reflect first attend dates as they appear on the related service attendance card.

Delivery of Services and IEP Review (Recommendations 17-20)

While the stated scope of the Comptroller's review was the Department's Medicaid billing practices, not provision of services to students, the Comptroller has included among its findings instances where the frequency and group size of the services being delivered did not match the IEP's recommendation in that regard and two instances where the student's IEP had not been updated.

District 75 is reviewing and responding to the specific issues and recommendations. More globally, the Department cannot but agree that delivery of services to all students is of paramount concern and so, in addition to reviewing and acting upon the results of the OAG's Program implementation, the Department is currently looking at all facets of the Special Education service delivery, supervision and data collection processes as it reconfigures its instructional, operational and administrative structure overall.

Sincerely,



Kathleen Grimm
Deputy Chancellor for Finance and Operations

KG:nf
Enclosures

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Anthony Shorris
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Bruce Feig
Susan Olds
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Susan Erber
Charles Niessner
Ron Woo
Jess Fardella
Linda Wemikoff
Judy Nathan
Andrew Levine
Marlene Malamy
Fran Ferguson
Carl Schneider
Barry Elkayam
Nader Francis

March 3, 2003

Department Response to Draft Report: Students Not Receiving Mandated Services or IEP Reviews

In addition to the information outlined in the attached letter of Ms. Kathleen Grimm about the steps that are being taken by the Department to improve delivery of Special Education services to students and accuracy of electronic data that aids in monitoring those services and claiming, District 75 is responding more specifically to the following findings.

Finding: In certain cases within the sampled population, frequency of services or the size of the group in which the services were provided was different from those recommended in the IEP.

Response: There is a shortage of Speech, Occupational Therapy and Physical Therapy providers nationwide. Although the Department supplements Department staff with contract and independent providers of related services, it nonetheless remains that in some areas there are simply not enough providers to meet the needs of all students. Therefore, rather than not serve a student at all, the Department may offer a student services that it can provide, which may be fewer in frequency or larger in group size than is recommended in the student's IEP. When additional providers are identified, students are generally served in accordance with their full mandate.

Finding: There was no signature of a school principal or a parent on any attendance cards that were reviewed, and thus there was no proof of ongoing monitoring of the provision of related services to the students.

Response: The Draft Report correctly indicates that the DOE is responsible for monitoring the related services provided students through their IEPs. However, the Department disputes that a principal's signature on the card is required or that its absence would be proof that services were not monitored periodically.

The Draft Report asserts that, "According to one Board official, attendance cards are signed by the principals of the schools if the related services are provided in the schools and by the parents and the service providers if the services are provided at home or at the provider's clinic." The Department "official" to whom this comment has been attributed denies having said that and suggests that the Draft Report may be reflecting a comment she had made about "Turnaround Documents" (which are used for payment), as opposed to related service attendance cards. It is further the case that related service attendance

cards do not even contain a space for a principal or parent's signature. Related service attendance cards, which contain a full school year's information and are collected at the end of the school year, provide a written *record* of service encounters between a provider and student, in much the same way as classroom teachers' attendance books track students' classroom attendance. Given that there is no requirement that principals and parents sign the cards and no space for their signature, it is not surprising that none of the cards in the sample bore those signatures.

It is of further concern that the Draft Report attempts to draw a straight line between the lack of a principal's/parent's signature and proof that services are not monitored on an on-going basis. As to supervision, services are periodically reviewed by Department supervisors or coordinators of related services, including, but not limited to the discipline supervisor, and the Principal and Assistant Principal. When a speech supervisor, for example, conducts an informal or formal observation, he/she will "spot check" the related service cards for accuracy and pupil attendance. As an additional level of review, the Department's Office of Monitoring and School Improvement has been conducting field reviews and determines whether Special Education services are being provided as mandated.

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Liaison/Audit Implementation Unit

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RESPONSE DATE: 03-04-03

AUDIT TITLE: Audit Report on the Board of Education's Medicaid
Billing Practices for Services Provided to Autistic Students

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Audits

DRAFT REPORT DATE: January 24, 2003

AUDIT NUMBER: MD01-189A

**A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED**

1. Review the BIO File information for the 83 autistic students identified during the audit as Medicaid eligible and bill Medicaid for reimbursable services provided to them.
2. Review the criteria it uses in the matching process between the BIO file and the DOH Medicaid Eligibility file. The Board should consider using social security numbers and student addresses as additional criteria in the matching process.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

1.2: The Department has initiated a "supplemental match" project, which uses a multifaceted approach to identify and claim for students not identified as Medicaid eligible through the computerized matching process. This project uses extensive computer identification of possible matches in combination with an exhaustive manual review of these possible matches to identify true hits. We are examining not only addresses, but near-misspelling and near birth dates, as well. The Department is also re-evaluating the match program input to identify and implement the best solution to maximizing the population of student identified as Medicaid eligible.

IMPLEMENTATION DATE:

Ongoing

RESPONSIBILITY CENTER

Signature:



Print Name: BARRY ELKAYAM

3/14/03

Date

Print Title: ASST DIRECTOR, ORO

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Liaison/Audit Implementation Unit

PAGE 2 OF 9

RESPONSE DATE: 03-04-03

AUDIT TITLE: Audit Report on the Board of Education's Medicaid
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AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Audits

DRAFT REPORT DATE: January 24, 2003

AUDIT NUMBER: MD01-189A


**D. RECOMMENDATION WHICH THE AGENCY
AGREES OR DISAGREES WITH AND WILL NOT IMPLEMENT (circle one)**

- 4. Contact DOH to obtain the correct CIN for students with two CINs
- 5. Consult the Mayor's office about how to standardize student addresses that appear in Board and various City agency records.

RESPONSE TO RECOMMENDATION
(ALTERNATIVE SOLUTIONS ON CURRENT SITUATION CITED IN AUDIT REPORT)

- 4. If a child has more than one CIN, it should be considered a finding of NYS Department of Health, which administers the Medicaid program. The Comptroller should forward the list of students with duplicate CIN either directly to the Health Department or to the Department (which we could then forward to the state).
- 5. The Department uses standardized addresses. We have raised this issue with HRA and representatives from the Mayor's Office of Health Coordination regarding the matching of student records across agencies; however, the implementation of such a policy may require extensive programming and other resources.

RESPONSIBILITY CENTER

Signature: 

Print Name: BARRY E. EGAN

Print Title: ASST DIRECTOR

3/14/03
Date

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Liaison/Audit Implementation Unit

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RESPONSE DATE: 03-04-03

AUDIT TITLE: Audit Report on the Board of Education's Medicaid
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AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Audits

DRAFT REPORT DATE: January 24, 2003

AUDIT NUMBER: MD01-189A

A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED

- 6. Review the State remittance report and resubmit any valid claim for which payment was denied.
- 7. Review prior remittance reports and resubmit claims previously denied under the error codes 152 and 131.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

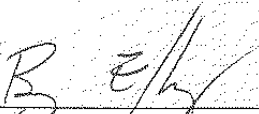
6 & 7: The Office of Revenue Operations reviews all remittances when they are received, and analyzes them to identify students for possible rebilling. ORO has raised the issue of error codes 152 and 131 with the State Department of Health, and they are determining what action may be taken to prevent claims rejected for these reasons in the future.

IMPLEMENTATION DATE:

Ongoing

RESPONSIBILITY CENTER

Signature:



Print Name:

Barry Velkayam

Print Title:

ASST DIRECTOR, ORO

3/14/03

Date

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Liaison/Audit Implementation Unit

PAGE 9 OF 9

RESPONSE DATE: 3-4-03

AUDIT TITLE: Audit Report on the Board of Education's Medicaid
Billing Practices for Services Provided to Autistic Students

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Audits

DRAFT REPORT DATE: January 24, 2003

AUDIT NUMBER: MD01-189A

**A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED**

(8) Correct the CAP information for the students cited in this report whose records in the CAP system were without start dates and then bill Medicaid for these students.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

District 75 has taken corrective action on the issue of service start dates by printing transmittal reports from CAP and requiring schools to update caseloads and service start dates. In this way they are able to capture new students and address any omissions that may have occurred.

Transmittal documents are sent to schools on a bi-monthly basis in order for corrections to be made. Corrective action is taken for each related service for which a student is mandated.

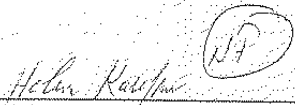
IMPLEMENTATION DATE:

November 1, 2002

RESPONSIBILITY CENTER

- District 75 Office of Data Management
- District 75 Schools and Programs
- District 75 Office of Related and Contractual Services

Signature:



Print Name: Helen D. Kaufman

3-04-03 Date

Print Title: Administrative Assistant Superintendent

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Liaison/Audit Implementation Unit

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RESPONSE DATE: 3-04-03

AUDIT TITLE: Audit Report on the Board of Education's Medicaid
Billing Practices for Services Provided to Autistic Students

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Audits

DRAFT REPORT DATE: January 24, 2003

AUDIT NUMBER: MD01-189A

**A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED**

(9) Ensure that all services have an accurate start and stop date entered into CAP.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

District 75 has implemented corrective action for entering service start dates into the CAP system by issuing semi-monthly printouts to each school having students who are appear to be not in receipt of their related services. Schools correct the inaccuracies in CAP and retain the printouts. The District 75 Office of Data Management and/or school now regularly review CAP entries and return students to "receiving status" with their correct start dates.

IMPLEMENTATION DATE:

December 1, 2002

RESPONSIBILITY CENTER

- District 75 Office of Data Management
- District 75 Schools and Programs

Signature:

Print Name: Helen D. Kaufman

Date: 3-04-03

Print Title: Administrative Assistant Superintendent

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Liaison/Audit Implementation Unit

PAGE 6 OF 9

RESPONSE DATE: 03-04-03

AUDIT TITLE: Audit Report on the Board of Education's Medicaid
Billing Practices for Services Provided to Autistic Students

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Audits

DRAFT REPORT DATE: January 24, 2003

AUDIT NUMBER: MD01-189A

**A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED**

- 10. Correct the billing codes for the students cited in the report whose records of services were miscoded in CAP and then bill for these services
- 11. Ensure that all services billable to Medicaid are so coded in CAP.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

10, 11: The Office of Revenue Operations (ORO), upon notification of the coding change, researched the criteria for the new code for Support Team Counseling (CB), and upon determining that it was an eligible service, changed the billing edits to bill for the services retroactively and prospectively.


However, ORO did not bill for Registered Nurse Services (RN) for the period of the audit and is not planning to resume billing for those services without a change in the fee structure that would justify the dedication of resources to the tasks of reviewing and maintaining appropriate documentation.

IMPLEMENTATION DATE

Ongoing

RESPONSIBILITY CENTER

Signature:



Print Name:

BARRY ELKAYAM

Print Title:

ASST. DIRECTOR, ORO

3/14/03

Date

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Liaison/Audit Implementation Unit

RESPONSE DATE: 3-04-03

AUDIT TITLE: Audit Report on the Board of Education's Medicaid
Billing Practices for Services Provided to Autistic Students

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Audits

DRAFT REPORT DATE: January 24, 2003

AUDIT NUMBER: MD01-189A

C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION

(12) Review the discrepancies for the students cited in this report whose service start dates did not reconcile
With the service start dates on their attendance cards

RESPONSE TO RECOMMENDATION


We will arrange with the company that has obtained and scanned the Department's related services
cards to review the cards of the students cited in this report and determine the accurate start date.

TARGET IMPLEMENTATION DATE

Ongoing

RESPONSIBILITY CENTER

Signature:

Helan D. Kaufman 

Print Name:

Helan D. Kaufman

3-4-03

Date:

Print Title: Administrative Assistant Superintendent

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Liaison/Audit Implementation Unit

RESPONSE DATE: 3-04-03

AUDIT TITLE: Audit Report on the Board of Education's Medicaid
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AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Audits

DRAFT REPORT DATE: January 24, 2003

AUDIT NUMBER: MD01-189A

**B. RECOMMENDATION WHICH THE AGENCY
HAS PARTIALLY IMPLEMENTED**

(17) Ensure that students receive services as mandated on their IEPs.

(20) Determine whether the instances in which students did not receive their services as mandated in their IEPs or did not have their IEPs reviewed annually are isolated cases or evidence of a system-wide problem.

WHAT HAS BEEN IMPLEMENTED?

District 75 has attempted to ensure that all students are in receipt of their mandated related services as noted on their IEP.

Many of the related services are shortage areas. As explained in the attached District 75 response to specific findings, the Department attempts to follow Standard Operating Procedures in that:

- Department of Education related service providers are assigned to students, when available.
- If a Department provider is not available, the process for securing a provider through an agency under contract with the Department is initiated.
- When an agency is unable to provide services, a "Related Service Authorization Packet" is sent to the parent of the student who has not been provided service. The Related Service Authorization is used by the parent to obtain an Independent Provider.

WHAT HAS TO BE IMPLEMENTED?

The Department has been and continues to explore ways to increase the number of providers who can serve students for whom the Department is responsible.

EXPECTED IMPLEMENTATION DATE

On-going

RESPONSIBILITY CENTER

- District 75 Office of Personnel
- District 75 Office of Clinical and Support Services
- District 75 Office of the Budget
- District 75 Office of Related and Contractual Services

Signature:

Print Name: Helen D. Kaufman

3-04-03 Date

Print Title: Administrative Assistant Superintendent

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Liaison/Audit Implementation Unit

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Response Date 3-04-03

AUDIT TITLE: Audit Report on the Board of Education's Medicaid
Billing Practices for Services Provided to Autistic Students

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Audits

DRAFT REPORT DATE: January 24, 2003

AUDIT NUMBER: MD01-189A

**A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED**

(18) Ensure the IEPs are reviewed once a year.

(19) Review the cases cited in this report to determine why those students did not receive services as mandated in their IEPs and why their IEPs were not reviewed annually.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

All District 75 Schools and Programs are expected to conduct an Annual Review for all students in attendance. The two (2) IEP's that were identified in the audit report were an anomaly and not characteristic of the procedures followed in our district.

IMPLEMENTATION DATE

On-going – District 75 follows a "rolling IEP" process, i.e., Annual Reviews are conducted throughout the school year.

RESPONSIBILITY CENTER
District 75 Schools and Programs

Signature:



Print Name: Helen D. Kaufman

3-04-03 Date

Print Title: Administrative Assistant Superintendent