Department of Legislative Services
Office of Legislative Audits

Department of Health and Mental Hygiene – Developmental Disabilities Administration (DDA)

Report dated November 20, 2009

Audit Overview

- DDA plans, develops policies and regulations, and funds a statewide system of services for individuals with developmental disabilities and their families.

- Through private contractors, DDA funds services to the developmentally disabled, various community-based programs that include community residential services, day habilitation services, and vocational training.

- In FY 2009, DDA served over 24,000 individuals with developmental disabilities and it's expenditures totaled $718 million ($416 million general funds, $297 million federal funds, $5 million in special and reimbursable funds).

- The report included 14 findings, 4 of which were repeated from the preceding audit report. These four repeated findings appear as five findings in this report.

Key Audit Issues

- Maximization of Federal Funds.
  - Opportunity was lost to obtain $3 million in federal funds due to the failure to submit rejected claims identified during the prior audit.
  - Unrecovered funds of $570,000 due to failure to detect or investigate certain rejected claims.
  - Lost interest of $421,000 due to untimely requests.
- Certain reports to the Legislature contained undocumented critical information or were not comprehensive.
- Inadequate monitoring of contractors/providers resulted in certain clients losing Medicaid eligibility (resulting in the State paying all service costs) and in payments for services provided after certain clients' dates of death.
- An OLA Performance Audit Report - ***Processing of Certain Medicaid Claims*** (dated 11/09) - noted there was no systematic process to analyze the causes of rejected DDA federal reimbursement claims.

DDA - Developmental Disabilities Administration

Federal Funds

- DDA lost the opportunity to obtain federal funds totaling approximately $3 million, because claims were not corrected and resubmitted within required federal timeframes. (Finding 1)
  - Our preceding audit identified $3.3 million in available federal funding due to DDA under-billing the federal government during CYs 2004 and 2005.
  - Our current audit found that DDA only resubmitted corrected claims for federal funding totaling $323,000, out of the $3.3 million identified.

Federal Funds (cont'd)

- DDA did not investigate rejected federal fund reimbursement claims and federal funds were not recovered because of improper edits. (Finding 2)
  - DDA did not investigate the cause of claims rejected for eligibility reasons (e.g., a client not eligible on the date of service). During December 2008, such rejected claims totaled $1.5 million. DDA did not maintain records of rejected claims and their related disposition.
  - Federal funds totaling $433,000 were not recovered due to the improper application of a DHMH Medicaid edit to DDA claims.

Federal Funds (cont'd)

DDA did not have adequate processes to ensure that certain provider claims were submitted for Federal reimbursement processing and that reimbursement requests were timely. (Finding 3)

- Our test of manual claims totaling $1.2 million, which DDA's records indicated had been submitted for reimbursement processing, found that claims for 70 clients totaling $279,000 were not actually processed for Federal reimbursement. Consequently, the related federal funding ($139,500) was not obtained.

- Federal fund reimbursement requests were not always timely. Our test of 21 federal fund reimbursement requests from July 2007 to February 2009, revealed that 5 requests were submitted from 3 to 4 months late, resulting in $421,000 of lost income to the State.

Reports to the General Assembly

Certain reports to the General Assembly contained undocumented critical information or were not comprehensive.

- DDA lacked documentation supporting the annual waiting list information reported to the General Assembly's budget committees in 1/09, potentially impacting its accuracy. For example, DDA could not provide detail for the reported 17,250 individuals waiting for one or more services, and as of 6/09 had not completed a review begun in 12/08, that identified 250 deceased individuals who should have been removed from the list. (Finding 4)
- A DDA report, in response to the 2008 JCR requesting details on the prioritization of services, omitted certain information on the Transitioning Youth Program. The report did not disclose that clients completing that one-year Program bypassed all other individuals on the waiting list for full services (individuals on the list are prioritized based on severity of need and some have been on the list for over 20 years). (Finding 5)

Client Resource Coordinators (CRCs)

DDA did not ensure that CRCs performed required annual eligibility assessments for certain clients, resulting in lost federal Medicaid eligibility. (Finding 6)

- An OLA test of a DDA report of clients, who lost their Medicaid eligibility during the period from July 2006 to November 2008, found 72 clients who lost eligibility because the CRCs did not perform the required reassessment. These clients were subsequently funded solely with State funds.

- DDA was unaware of the lost eligibility, since no documented follow-up actions were taken by DDA to ensure that client eligibility was reassessed.

- DDA also did not monitor the CRCs to ensure that they met with clients every six months, as required by State regulations. Had DDA ensured that such meetings occurred, it would have been alerted to certain improper provider billings and payments (as noted in Finding 7).

Payments for Deceased Individuals

DDA did not have effective procedures to detect providers who billed for services to deceased individuals. (Finding 7)

- We matched DDA's FY 2007 and 2008 payment files to death records maintained by DHMH's Division of Vital Records and identified 367 clients who received payments during those years, but died before 7/1/08.
- Our test of payments to 43 clients found many did not receive payment for service after death, but:
  - DDA did pay 7 providers $235,000 for 8 clients who were deceased on the dates services were reportedly provided.
  - For example, one provider reported providing services for a client through FY 2008; however, that client died in 2003 and the provider was paid $70,339 during that 5-year period.
- We referred this matter to the Office of the Attorney General – Criminal Division.

Other Issues

- DDA did not have adequate procedures to verify that clients in the Family and Support Services and the Individual Family Care programs received required services. Payments for these programs during FY 2009 totaled $41 million, primarily from general funds. (Finding 8)

- DDA did not take timely action to recover $3.6 million from providers for Wage Disparity Funds paid to providers that were not used to increase compensation for providers' direct service workers, as required by State law. As of June 2009, $2.9 million remained uncollected. (Finding 10)

- Proper security had not been established to control access to DDA's provider customer information system (PCIS2) as well as to restrict the capabilities of users. (Findings 11 – 12)

DDA Related OLA Performance Audit Findings

In November 2009, OLA issued a performance audit report which evaluated the effectiveness of the DHMH's processes to obtain federal Medicaid funds for other administrations including DDA.

- No systematic process existed to analyze the reasons for numerous DDA claims for federal reimbursement being rejected by the claims processing system. For example, 116,000 DDA claims submitted during August 2008 totaling $12.2 million were rejected. Since DDA previously paid providers for the services and determined the related costs represented legitimate claims for federal funding, the amount of rejected claims should be minimal.
- Rejected claims for federal reimbursement were not investigated and resolved promptly. As of December 2008, DDA claims paid for services provided in CY 2006 totaling approximately $8.4 million were submitted and denied for federal reimbursement and remained outstanding.

Conclusion

DDA needs to:

- maximize the recovery of federal funds, submit reimbursement requests timely, promptly investigate and resubmit rejected claims, and ensure that reassessments of client Medicaid eligibility are conducted, as appropriate.
- maintain documentation to support information reported to the General Assembly and ensure the accuracy of the reported information.
- monitor the work of contractors and the services performed by providers for compliance with related legal requirements.
- collect amounts due from providers and establish proper controls over its automated provider consumer information system (PCIS2).
- With DHMH, determine what improvements can be made to reduce claim rejections.