Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

MOST OF NEW JERSEY'S CLAIMS FOR MEDICAID SUPPORTED EMPLOYMENT SERVICES WERE UNALLOWABLE

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

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Office of Inspector General

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EXECUTIVE SUMMARY

New Jersey claimed at least $6.9 million in Federal Medicaid reimbursement for supported employment services that were unallowable.

WHY WE DID THIS REVIEW

During a statewide review of New Jersey's community care waiver (CCW) program, we identified a significant number of supported employment services – vocational services for individuals with developmental disabilities – that were improperly submitted for Federal Medicaid reimbursement. On the basis of these results, we decided to audit all of these services.

Our objective was to determine whether the New Jersey Department of Human Services' (State agency) claims for Medicaid reimbursement for supported employment services complied with certain Federal and State requirements.

BACKGROUND

Supported employment services are ongoing support services and other appropriate services needed to support and maintain individuals with developmental disabilities for whom competitive employment at or above the minimum wage is unlikely and who, because of their disabilities, need intensive ongoing support to perform in a work setting. Services are provided in a variety of settings, particularly worksites where people without disabilities are employed, and include activities needed to sustain paid work (e.g., supervision and training by qualified job coaches).

In New Jersey, supported employment services are provided only under the CCW program. The State agency is required to provide for initial evaluations and annual reevaluations of beneficiaries' level-of-care needs. Further, Federal regulations require that services be furnished under a written plan of care (care plan) approved by a qualified specialist. In addition, providers must maintain complete and accurate records to support services billed.

The State agency's Division of Developmental Disabilities (division) administers the CCW program. The State agency's Division of Medical Assistance and Health Services is responsible for overseeing the CCW program.

HOW WE CONDUCTED THIS REVIEW

For the period January 1, 2008, through November 30, 2011, we limited our review to Medicaid costs claimed for supported employment services. From a total of approximately $17 million ($8.6 million Federal share) that the State agency claimed, we reviewed a random sample of 139 beneficiary-months. A beneficiary-month includes all supported employment services for a beneficiary for 1 month.

WHAT WE FOUND

Most of the State agency's claims for Federal Medicaid reimbursement for supported employment services did not comply with certain Federal and State requirements. Specifically, the State agency claimed Medicaid reimbursement for unallowable supported employment services during 137 of the 139 beneficiary-months in our random sample. The State agency properly claimed Medicaid reimbursement for all supported employment services during the remaining 2 beneficiary-months.

The claims for unallowable services were made because (1) the division and most providers did not ensure that supported employment services were documented, (2) the division did not ensure that services claimed were properly billed as supported employment services, (3) the division did not ensure that supported employment services were provided only to beneficiaries with completed and approved care plans, (4) the division did not ensure or document that some job coaches were qualified to provide supported employment services to beneficiaries, and (5) the division did not ensure and document that all beneficiaries were assessed and certified to require the appropriate level of care. On the basis of our sample results, we estimated that the State agency improperly claimed at least $6,919,856 in Federal Medicaid reimbursement for unallowable supported employment services.

WHAT WE RECOMMEND

We recommend that the State agency:

- refund $6,919,856 to the Federal Government and
- ensure that it complies with certain Federal and State requirements by requiring the division and/or providers to:
  - claim reimbursement only for documented supported employment services,
  - provide supported employment services only to beneficiaries for whom there is a completed and approved care plan,
  - ensure and document that all job coaches meet division qualifications, and
  - ensure and document that all beneficiaries approved for supported employment services have been assessed and certified to need the required level of care.

STATE AGENCY COMMENTS AND OUR RESPONSE

In written comments on our draft report, the State agency partially concurred with our first recommendation (financial disallowance) and described actions that it had taken or planned to take to address the remaining findings and recommendation. Under separate cover, the State agency provided additional documentation to support services for certain sampled beneficiary-months. The State agency indicated that it plans to establish new monitoring requirements for

approved providers and a fee-for-service system to prevent improper billing of services. In addition, the State agency plans to retain an independent auditing firm to review service providers' claims and strengthen oversight of the program.

After reviewing the State agency's comments and the additional documentation, we have revised our findings for 18 beneficiary-months and modified our statistical estimates accordingly. We have revised the report to reflect these changes; however, the revisions did not affect the total number of unallowable beneficiary-months because these beneficiary-months remain unallowable for other reasons.

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INTRODUCTION

WHY WE DID THIS REVIEW

During a statewide review of New Jersey's community care waiver (CCW) program,[1] we identified a significant number of supported employment services – vocational services for individuals with developmental disabilities – improperly submitted for Federal Medicaid reimbursement. On the basis of these results, we decided to audit all of these services. Appendix A contains details on our reports related to New Jersey's CCW program.

OBJECTIVE

Our objective was to determine whether the New Jersey Department of Human Services' (State agency) claims for Medicaid reimbursement for supported employment services complied with certain Federal and State requirements.

BACKGROUND

The Medicaid Program

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

Home and Community-Based Services Waivers Under the Medicaid Program

Section 1915(c) of the Social Security Act (the Act) authorizes Medicaid home and community-based services (HCBS) waiver programs.[2] HCBS may be provided only to beneficiaries who a State agency determines would, in the absence of such services, require the Medicaid-covered level of care provided in a hospital, nursing facility, or intermediate care facility for persons with intellectual disabilities.[3]

To be eligible for Federal Medicaid reimbursement, HCBS must be furnished under a written plan of care (care plan) and, on at least an annual basis, beneficiaries receiving HCBS must be reevaluated. To be eligible for HCBS, a beneficiary's care plan must include an assessment of

[1] *Review of Medicaid Payments for Services Provided Under New Jersey's Section 1915(c) Community Care Waiver From January 1, 2005, Through December 31, 2007* (A-02-10-01029).

[2] A State's HCBS waiver program must be approved by CMS and allows a State to claim Federal reimbursement for services not usually covered by Medicaid. HCBS are generally provided to Medicaid-eligible beneficiaries in the community rather than in an institutional setting.

[3] Changes in terminology are based on Rosa's Law (P.L. No. 111-256). For more information, see CMS Final Rule, 77 Fed. Reg. 29002, 29021 & 29028 (May 16, 2012).

the services needed to prevent the beneficiary from requiring institutionalization. The assessment must be approved by a qualified specialist.[4] The plan includes an approval section for the qualified specialist to certify that they have reviewed the plan and determined that the beneficiary continues to have functional limitations and requires active treatment and services at the required level of care for a specific period. The care plan must specify the medical and other services to be provided and their frequency.

Supported Employment Services in New Jersey

The State agency's Division of Developmental Disabilities (division) administers the CCW program, which covers supported employment services and other HCBS, and is responsible for the implementation and operation of the program.[5]

The State's waiver agreement with CMS defines supported employment services as ongoing support services and other appropriate services needed to support and maintain individuals with developmental disabilities for whom competitive employment at or above the minimum wage is unlikely, and who, because of their disabilities, need intensive ongoing support to perform in a work setting. Services are provided in a variety of settings, particularly worksites where people without disabilities are employed (e.g., supermarkets), and include activities needed to sustain paid work (e.g., supervision and training by qualified job coaches). Frequently, beneficiaries receiving supported employment services also receive day habilitation services intended to help individuals transition into community living, work, and employment.

For details on Federal and State requirements related to supported employment services, see Appendix B.

HOW WE CONDUCTED THIS REVIEW

For the period January 1, 2008, through November 30, 2011, we limited our review to Medicaid costs claimed for supported employment services.[6] During this period, the State agency claimed $17,127,132 ($8,574,633 Federal share) for supported employment services provided during 12,643 beneficiary-months.[7] From the sampling frame of 12,643 beneficiary-months, we reviewed a stratified random sample of 139 beneficiary-months.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

[4] As a result of the changes in terminology based on Rosa's Law (see footnote 3), we have replaced the official title "qualified mental retardation professional" with "qualified specialist" throughout the report.

[5] The State agency's Division of Medical Assistance and Health Services has final responsibility for the oversight of the program.

[6] Specifically, our review covered the State agency's claims for Medicaid reimbursement for supported employment services performed from January 1, 2008, through November 30, 2011, for which it made payments to providers between August 1, 2008, and December 31, 2011.

[7] A beneficiary-month includes all supported employment services for a beneficiary for 1 month.

sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C contains the details of our audit scope and methodology, Appendix D contains our statistical sampling methodology, and Appendix E contains our sample results and estimates.

FINDINGS

Most of the State agency's claims for Federal Medicaid reimbursement for supported employment services did not comply with certain Federal and State requirements. Specifically, the State agency claimed Medicaid reimbursement for unallowable supported employment services during 137 of the 139 beneficiary-months in our random sample. The State agency properly claimed Medicaid reimbursement for all supported employment services during the remaining 2 beneficiary-months.

Of the 137 beneficiary-months with supported employment services for which the State agency improperly claimed Federal Medicaid reimbursement, 110 contained more than 1 deficiency. Appendix F contains a summary of deficiencies, if any, identified for each sampled beneficiary-month.

The claims for unallowable services were made because (1) the division and most providers did not ensure that supported employment services were documented, (2) the division did not ensure that services claimed were properly billed as supported employment services, (3) the division did not ensure that supported employment services were provided only to beneficiaries with completed and approved care plans, (4) the division did not ensure or document that some job coaches were qualified to provide supported employment services to beneficiaries, and (5) the division did not ensure and document that all beneficiaries were assessed and certified to require the appropriate level of care. On the basis of our sample results, we estimated that the State agency improperly claimed at least $6,919,856 in Federal Medicaid reimbursement for unallowable supported employment services.

SERVICES NOT DOCUMENTED

States must have agreements with Medicaid providers under which providers agree to keep such records as are necessary to fully disclose the extent of the services provided to individuals receiving assistance under a State plan (§ 1902(a)(27) of the Act). In addition, States are required to maintain documentation of services provided (2 CFR § 225, App. A § C.1.j.).[8]

[8] New Jersey's waiver agreement with CMS identifies the division's *Standards for Supported Employment Services Manual* as an additional standard for providers performing supported employment services. The *Standards for Supported Employment Services Manual* states that providers must document each specific service provided to, or on behalf of, the individual on an intervention plan and service log. In addition, the supported employment service provider must prepare a supported employment monthly data report which accurately reflects the services provided to individuals. Billable hours must be documented on the intervention plan and service log form and reflected on the supported employment monthly data report.

During 93 beneficiary-months, the State agency claimed reimbursement for some supported employment services that were not adequately documented. Specifically, providers did not maintain any service notes to support the services billed in 35 of 93 beneficiary-months. Service notes for the remaining services did not adequately describe the service or did not match the service billed. For example, for 1 day of service, the service note indicated 2 hours of service, but the provider claimed 4 hours of service.

SERVICES CLAIMED WERE NOT SUPPORTED EMPLOYMENT SERVICES

States must have agreements with Medicaid providers under which the providers agree to maintain records of Medicaid services provided (§ 1902(a)(27) of the Act). Federal cost principles also require States to document services provided.

During 67 beneficiary-months, the State agency claimed reimbursement for some supported employment services that were not provided. Specifically:

- During 65 beneficiary-months, providers billed for supported employment services although their records indicated that the beneficiary received day habilitation services during the period for which the supported employment services were billed.

- During 2 beneficiary-months, providers billed for supported employment services even though they did not offer these services.[9]

To determine our recommended disallowance, we adjusted these 67 beneficiary-months to reflect allowable day habilitation services provided and recalculated the associated claims at the applicable (lower) reimbursement rate.

SERVICES NOT PROVIDED IN ACCORDANCE WITH CARE PLAN

A care plan must be approved by the State agency[10] and specify the services to be provided and their frequency. Federal regulations require HCBS to be furnished under a care plan subject to approval by the State agency (42 CFR § 441.301(b)(1)(i)). In addition, New Jersey's waiver agreement with CMS states that all waiver services will be furnished pursuant to a care plan, and Federal financial participation will not be claimed for waiver services that are not included in the care plan.

During 64 beneficiary-months, the State agency claimed reimbursement for supported employment services that were not provided in accordance with the beneficiary's care plan.[11]

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[9] Provider officials indicated that they miscoded day habilitation services as supported employment services. We determined that the providers were not licensed by the State agency to perform supported employment services.

[10] Section 4442.6 of CMS's *State Medicaid Manual*.

[11] The total exceeds 64 because, during 6 beneficiary-months, the State agency claimed reimbursement for services for which the services were not included in the care plan, and the care plan was incomplete.

Specifically:

- **Services not included in care plans.** During 39 beneficiary-months, providers claimed reimbursement for supported employment services not specified in beneficiaries' care plans.

- **Care plans missing or incomplete.** During 21 beneficiary-months, providers claimed reimbursement for supported employment services provided to beneficiaries whose care plans were missing or incomplete (i.e., missing relevant sections).

- **Care plans not approved.** During 10 beneficiary-months, providers claimed reimbursement for supported employment services for beneficiaries whose care plans were not approved by the State agency.

JOB COACH QUALIFICATIONS NOT DOCUMENTED OR NOT MET

The State's waiver agreement with CMS identifies the division's standards for providers performing supported employment services. Job coaches providing supported employment services must have at least an associate of arts degree in a related field from an accredited college or have a high school diploma with 3 years of related job experience. Job coaches must also complete the division's training requirements and document this in their personnel file.[12]

During 39 beneficiary-months, the State agency claimed reimbursement for some supported employment services for which the qualifications of the beneficiary's job coach were not documented or were not met.[13] Specifically:

- **Education or job experience qualifications not documented.** During 7 beneficiary-months, the State agency claimed reimbursement for supported employment services provided by service providers who were unable to document that beneficiaries' job coaches met the division's education or job experience requirements.

- **Training not documented.** During 21 beneficiary-months, the State agency claimed reimbursement for supported employment services provided by service providers who were unable to document that beneficiaries' job coaches completed the division's training requirements.

- **Education or job experience qualifications not met.** During 17 beneficiary-months, the State agency claimed reimbursement for supported employment services provided by

[12] These requirements are detailed in the division's *Standards for Supported Employment Services Manual*.

[13] The total exceeds 39 because some job coaches failed to meet both education/job experience and training requirements. Also, in some cases, multiple unqualified job coaches worked with a beneficiary during the same month.

service providers whose job coaches did not meet the division's education or job experience qualifications.

- **Training not completed.** During 2 beneficiary-months, the State agency claimed reimbursement for supported employment services provided by service providers whose job coaches had not completed the division's training requirements.

LEVEL-OF-CARE ASSESSMENT NOT DOCUMENTED

To be eligible for HCBS, which include supported employment services, a beneficiary's care plan must include a level-of-care assessment approved by a qualified specialist that includes the services needed to prevent the beneficiary from requiring institutionalization.[14] Each beneficiary receiving HCBS must also have periodic reevaluations, at least annually, to determine whether the beneficiary continues to need the level of care provided (42 CFR § 441.302(c)).

During 31 beneficiary-months, the State agency claimed reimbursement for supported employment services provided to beneficiaries whose level-of-care assessment was not approved by a qualified specialist. Specifically:

- **Level-of-care assessment not approved by a qualified specialist.** During 16 beneficiary-months, the State agency claimed reimbursement for supported employment services provided to beneficiaries for whom the level-of-care assessment was not approved by a qualified specialist. Specifically, the signature page used on the State agency's assessment form was missing.

- **Blank level-of-care assessment.** During 15 beneficiary-months, the State agency claimed reimbursement for supported employment services provided to beneficiaries whose level-of-care assessments were blank.

CONCLUSION

On the basis of our sample results, we estimated that the State agency improperly claimed at least $6,919,856 in Federal Medicaid reimbursement for supported employment services that did not comply with certain Federal and State requirements. Specifically, (1) the division and most providers did not ensure that supported employment services were documented, (2) the division did not ensure that services claimed were properly billed as supported employment services, (3) the division did not ensure that supported employment services were provided only to beneficiaries with completed and approved care plans, (4) the division did not ensure or document that some job coaches were qualified to provide supported employment services to beneficiaries, and (5) the division did not ensure and document that all beneficiaries were assessed and certified to require the appropriate level of care.

[14] Section 1915(c) of the Act, 42 CFR § 441.301(b)(1)(iii), the waiver agreement with CMS, and the division's *Standards for Supported Employment Services Manual*.

RECOMMENDATIONS

We recommend that the State agency:

- refund $6,919,856 to the Federal Government and
- ensure that it complies with certain Federal and State requirements by requiring the division and/or providers to:
  - claim reimbursement only for documented supported employment services,
  - provide supported employment services only to beneficiaries for whom there is a completed and approved care plan,
  - ensure and document that all job coaches meet division qualifications, and
  - ensure and document that all beneficiaries approved for supported employment services have been assessed and certified to need the required level of care.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency partially concurred with our first recommendation (financial disallowance) and described actions that it had taken or planned to take to address the remaining findings and recommendation. Under separate cover, the State agency provided additional documentation to support services for certain sampled beneficiary-months. The State agency indicated that it plans to establish new monitoring requirements for approved providers and a fee-for-service system to prevent improper billing of services. In addition, the State agency plans to retain an independent auditing firm to review service providers' claims to strengthen oversight of the program.

After reviewing the State agency's comments and the additional documentation, we have revised our findings for 18 beneficiary-months and modified our statistical estimates accordingly. We have revised the report to reflect these changes; however, the revisions did not affect the total number of unallowable beneficiary-months because these beneficiary-months remain unallowable for other reasons. The State agency's comments appear as Appendix G.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

REVIEWS OF NEW JERSEY'S COMMUNITY CARE WAIVER PROGRAM

Report Title	Report Number	Date Issued
Review of Medicaid Payments for Services Provided Under New Jersey's Section 1915(c) Community Care Waiver by Elwyn New Jersey From January 1, 2005, Through December 31, 2007	A-02-09-01033	7/27/11
Review of Medicaid Payments for Services Provided Under New Jersey's Section 1915(c) Community Care Waiver by Bancroft NeuroHealth From January 1, 2005, Through December 31, 2007	A-02-09-01034	3/22/12
Review of Medicaid Payments for Services Provided Under New Jersey's Section 1915(c) Community Care Waiver From January 1, 2005, Through December 31, 2007	A-02-10-10129	4/20/12

APPENDIX B: FEDERAL AND STATE REQUIREMENTS FOR SUPPORTED EMPLOYMENT SERVICES

FEDERAL REQUIREMENTS FOR ELIGIBILITY FOR SUPPORTED EMPLOYMENT SERVICES

Section 1915(c) of the Act authorizes Medicaid HCBS waiver programs. A State's HCBS waiver program must be approved by CMS and allows a State to claim Federal reimbursement for services not usually covered by Medicaid. HCBS are generally provided to Medicaid-eligible beneficiaries in the community rather than in an institutional setting.

Section 1915(c) of the Act and Federal regulations (42 CFR § 441.301(b)(1)(iii)) provide that HCBS may be provided only to beneficiaries who have been determined would, in the absence of such services, require the Medicaid-covered level of care provided in a hospital, nursing facility, or intermediate care facility for persons with intellectual disabilities. In addition, Federal regulations (42 CFR § 441.302(c)) require a State agency to provide for an initial evaluation of the beneficiary's need for the level of care that would be provided in an institution unless the individual receives HCBS. The regulations further require at least annual reevaluations of each beneficiary receiving HCBS.

Section 4442.6 of CMS's *State Medicaid Manual* requires an assessment of the individual to determine the services needed to prevent institutionalization that must be included in the care plan. In addition, the care plan must specify the medical and other services to be provided, their frequency, and the type of provider. No Federal financial participation is available under a § 1915(c) waiver for HCBS furnished without a written care plan.

FEDERAL REQUIREMENTS FOR DOCUMENTATION NEEDED TO SUPPORT SUPPORTED EMPLOYMENT SERVICES BILLED

Section 1902(a)(27) of the Act, 42 U.S.C. § 1396a(a)(27), mandates that States have agreements with Medicaid providers under which providers agree to keep such records as are necessary fully to disclose the extent of the services provided to individuals receiving assistance under a State plan. The Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, Att. A, § C.1.j (2 CFR § 225, App. A § C.1.j), requires States to maintain documentation of services provided.

Federal financial participation is available only for allowable actual expenditures made on behalf of eligible beneficiaries for covered services rendered by certified providers (§ 2497.1 of CMS's *State Medicaid Manual*). Expenditures are allowable only to the extent that, when a claim is filed, the provider has adequate supporting documentation in readily reviewable form to ensure that all applicable Federal requirements have been met.

FEDERAL AND STATE REQUIREMENTS FOR SUPPORTED EMPLOYMENT SERVICES BEING PROVIDED IN ACCORDANCE WITH AN APPROVED PLAN OF CARE

HCBS, by Federal regulation, must be furnished under a written plan of care subject to approval by the State agency (42 CFR § 441.301(b)(1)(i)). In addition, New Jersey's waiver agreement with CMS states that all waiver services will be furnished pursuant to a written plan of care, and Federal financial participation will not be claimed for waiver services that are not included in the individual written plan of care.

A care plan must specify the services to be provided, their frequency, and the type of provider (section 4442.6 of CMS's *State Medicaid Manual*).

FEDERAL AND STATE REQUIREMENTS FOR INDIVIDUALS TO ASSESS BENEFICIARIES RECEIVING SUPPORTED EMPLOYMENT SERVICES

Section 4442.5 of CMS's *State Medicaid Manual* requires waiver agreements to include an assurance by the State agency that it will provide for an evaluation and periodic reevaluations of the need for the level of care provided in an institution but for the availability of HCBS, including a description of the party or parties responsible for the evaluation and reevaluation and their qualifications.

New Jersey's waiver agreement with CMS states that to be eligible to receive supported employment services under the waiver program, a beneficiary must be assessed to need an Intermediate Care Facilities for Individuals With Intellectual Disabilities level of care by qualified specialists. The qualified specialists must perform these evaluations at least every 12 months.

New Jersey's waiver agreement with CMS identifies the division's *Standards for Supported Employment Services Manual* as an additional standard for providers performing supported employment services. The *Standards for Supported Employment Services Manual* states that job coaches providing supported employment services must be at least 18 years of age and, at a minimum, have an associate of arts degree in a related field from an accredited college or have a high school diploma with 3 years of related job experience. In addition, each job coach must successfully complete the division's "Pre-Service Training" and maintain documentation of successful completion of the training in their personnel file.

APPENDIX C: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our review covered the State agency's claims for Medicaid reimbursement for supported employment services performed from January 1, 2008, through November 30, 2011, for which it made payments to providers between August 1, 2008, and December 31, 2011. We limited our audit to Medicaid costs claimed for supported employment services totaling $100 or more during a beneficiary-month.

After taking into account these exclusions, we determined that our revised sampling frame consisted of 12,643 beneficiary-months totaling $17,127,132 ($8,574,633 Federal share). We reviewed a stratified random sample of 139 beneficiary-months.

The scope of our audit did not require us to perform a medical review or an evaluation of the medical necessity for supported employment services claimed for reimbursement. We did not assess the appropriateness of HCBS payment rates or the State agency's overall internal control structure. Rather, we limited our review of internal controls to those applicable to our objective. We reviewed the providers' and the centers' internal controls for documenting supported employment services billed and claimed for reimbursement.

We performed our fieldwork at 27 providers' offices throughout New Jersey during April and May 2012.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and State requirements;
- met with CMS financial and program management officials to gain an understanding of the HCBS waiver approval, administration, and assessment processes;
- met with State agency officials to discuss the State agency's administration and monitoring of supported employment services;
- interviewed providers and division officials regarding their policies and procedures for supported employment services;
- reconciled the CCW program services claimed for Federal reimbursement by the State agency on the Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program, with the population of all payments for CCW program services made to providers statewide obtained from New Jersey's Medicaid Management Information System (MMIS) for the quarter ended June 30, 2010;

- obtained from New Jersey's MMIS a sampling frame of 26,066 beneficiary-months with supported employment services for which the State agency claimed reimbursement totaling approximately $25 million ($12.5 million Federal share) from August 1, 2008, through December 31, 2011;

- removed from our sampling frame all beneficiary-months in which supported employment services were performed during calendar years 2004 and 2005 but were submitted for payment after August 1, 2008;[15]

- removed from our sampling frame all beneficiary-months with claims totaling less than $100;

- determined that our revised sampling frame consisted of 12,643 beneficiary-months totaling $17,127,132 ($8,574,633 Federal share);

- selected a stratified random sample of 139 beneficiary-months and, for each beneficiary-month:

    - determined whether the beneficiary was assessed by a qualified specialist to be eligible for the CCW program,

    - determined whether supported employment services were provided in accordance with an approved care plan,

    - determined whether individuals who provided supported employment services met the division's qualification and training requirements,

    - determined whether documentation supported the supported employment services billed,

    - determined whether the services claimed were properly billed as supported employment services, and

- estimated the unallowable Federal Medicaid reimbursement paid in the total population of 12,643 beneficiary-months.[16]

See Appendix D for the details of our statistical sampling methodology and Appendix E for our sample results and estimates.

[15] These were claims that were previously voided out of New Jersey's MMIS and adjudicated to reflect the proper reimbursement rates.

[16] For those beneficiary-months that included both allowable and unallowable services, we included only the portion of the Federal Medicaid reimbursement associated with the unallowable services in our estimation.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX D: STATISTICAL SAMPLING METHODOLOGY

POPULATION

The population consisted of beneficiary-months of services with total payments greater than or equal to $100 (Federal share) for which the State agency received Medicaid reimbursement for supported employment services provided during the period January 1, 2008, through November 30, 2011, with payment dates from August 1, 2008, through December 31, 2011. A beneficiary-month is defined as all supported employment services for one beneficiary for 1 month.

SAMPLING FRAME

The sampling frame was an Access file containing 12,643 beneficiary-months with Medicaid payments greater than or equal to $100 (Federal share) for services totaling $17,127,132 ($8,574,633 Federal share) for which the State agency received Medicaid reimbursement for supported employment services provided during the period January 1, 2008, through November 30, 2011, with payment dates from August 1, 2008, through December 31, 2011. The data for these beneficiary-months of service was extracted from the New Jersey MMIS.

The sampling frame was the same as the target population.

SAMPLE UNIT

The sample unit was a beneficiary-month.

SAMPLE DESIGN

We used a stratified random sample. To accomplish this, we separated the sampling frame into three strata, as follows:

- Stratum 1: beneficiary-months with total payments greater than or equal to $100 and less than or equal to $1,000 = 10,048 beneficiary-months totaling $5,786,074 ($2,897,742 Federal share).

- Stratum 2: beneficiary-months with total payments greater than $1,000 and less than or equal to $3,500 = 2,556 beneficiary-months totaling $11,025,487 ($5,519,106 Federal share).

- Stratum 3: beneficiary-months with total payments greater than $3,500 = 39 beneficiary-months totaling $315,571 ($157,785 Federal share).

SAMPLE SIZE

We selected a sample of 139 beneficiary-months of service, as follows:

- 50 beneficiary-months from stratum 1,
- 50 beneficiary-months from stratum 2, and
- 39 beneficiary-months from stratum 3.

SOURCE OF THE RANDOM NUMBERS

We generated the random numbers with the Office of Inspector General, Office of Audit Services (OAS), statistical software.

METHOD FOR SELECTING SAMPLE ITEMS

We consecutively numbered the sample units in the first two strata. After generating 50 random numbers for each stratum, we selected the corresponding frame items. We selected for review all 39 beneficiary-months in stratum 3.

ESTIMATION METHODOLOGY

We used the OAS statistical software to calculate our estimates. We used the lower limit of the 90-percent confidence interval to estimate the overpayment associated with the unallowable supported employment services in the beneficiary-months.

APPENDIX E: SAMPLE RESULTS AND ESTIMATES

Sample Details and Results

Stratum	Beneficiary-Months in Frame	Value of Frame (Federal Share)	Sample Size	Value of Sample (Federal Share)	No. of Beneficiary-Months With Unallowable Services	Value of Unallowable Services (Federal Share)
1	10,048	$2,897,742	50	$15,873	48	$12,344
2	2,556	5,519,106	50	118,133	50	97,141
3	39	157,785	39	157,786	39	133,228
Total	**12,643**	**$8,574,633**	**139**	**$291,792**	**137**	**$242,713**

Estimated Value of Unallowable Services (Federal Share)
(Limits Calculated for a 90-Percent Confidence Interval)

Point estimate	$7,579,788
Lower limit	6,919,856
Upper limit	8,239,720

APPENDIX F: SUMMARY OF DEFICIENCIES FOR EACH SAMPLED BENEFICIARY-MONTH

Legend

1	Services not documented
2	Services claimed were not supported employment services
3	Services not provided in accordance with care plan
4	Job coach qualifications not documented or not met
5	Level-of-care assessment not documented

Office of Inspector General Review Determinations for the 139 Sampled Beneficiary-Months

Sample Beneficiary-Month	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	Deficiency 5	No. of Deficiencies
S1-1			X		X	2
S1-2	X		X	X		3
S1-3	X					1
S1-4	X		X			2
S1-5			X			1
S1-6	X					1
S1-7	X			X		2
S1-8	X			X		2
S1-9	X		X	X		3
S1-10	X			X		2
S1-11	X					1
S1-12	X			X		2
S1-13	X					1
S1-14						0
S1-15	X					1
S1-16	X			X		2
S1-17	X			X		2
S1-18				X		1
S1-19	X			X		2
S1-20	X		X		X	3
S1-21	X		X	X	X	4
S1-22			X	X	X	3
S1-23	X			X		2

Sample Beneficiary-Month	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	Deficiency 5	No. of Deficiencies
S1-24			X	X	X	3
S1-25	X		X	X	X	4
S1-26	X					1
S1-27	X			X		2
S1-28	X					1
S1-29	X					1
S1-30	X			X		2
S1-31	X		X		X	3
S1-32	X		X	X	X	4
S1-33	X		X		X	3
S1-34	X					1
S1-35	X		X	X		3
S1-36	X				X	2
S1-37	X		X		X	3
S1-38			X		X	2
S1-39			X	X		2
S1-40	X		X	X	X	4
S1-41	X		X		X	3
S1-42						0
S1-43	X					1
S1-44	X					1
S1-45	X					1
S1-46	X	X	X		X	4
S1-47	X					1
S1-48	X			X		2
S1-49	X		X		X	3
S1-50	X		X	X	X	4
S2-1	X		X	X	X	4
S2-2	X					1
S2-3		X	X			2
S2-4		X	X			2
S2-5	X				X	2
S2-6	X		X	X	X	4
S2-7		X	X			2

Sample Beneficiary-Month	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	Deficiency 5	No. of Deficiencies
S2-8	X		X			2
S2-9	X		X	X	X	4
S2-10		X	X			2
S2-11	X					1
S2-12		X	X			2
S2-13		X			X	2
S2-14	X					1
S2-15		X	X		X	3
S2-16	X	X				2
S2-17		X	X			2
S2-18	X					1
S2-19		X	X			2
S2-20	X	X		X		3
S2-21		X	X			2
S2-22		X	X		X	3
S2-23		X	X		X	3
S2-24	X	X		X		3
S2-25		X	X			2
S2-26		X	X			2
S2-27	X		X	X		3
S2-28		X	X			2
S2-29			X		X	2
S2-30		X	X		X	3
S2-31	X			X		2
S2-32	X					1
S2-33	X	X		X		3
S2-34		X	X			2
S2-35		X	X			2
S2-36		X	X		X	3
S2-37		X	X			2
S2-38	X					1
S2-39		X	X			2
S2-40	X			X		2
S2-41	X				X	2

Sample Beneficiary-Month	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	Deficiency 5	No. of Deficiencies
S2-42	X					1
S2-43	X					1
S2-44	X		X			2
S2-45	X					1
S2-46		X	X			2
S2-47	X		X			2
S2-48	X	X				2
S2-49		X	X			2
S2-50	X	X		X		3
S3-1		X	X			2
S3-2	X	X				2
S3-3	X	X	X			3
S3-4	X					1
S3-5		X	X		X	3
S3-6		X		X		2
S3-7	X	X		X		3
S3-8	X	X		X		3
S3-9		X	X			2
S3-10		X	X			2
S3-11	X	X		X		3
S3-12		X	X		X	3
S3-13		X	X			2
S3-14		X	X			2
S3-15		X	X			2
S3-16	X	X		X		3
S3-17		X	X			2
S3-18	X	X				2
S3-19	X	X				2
S3-20	X	X				2
S3-21	X	X				2
S3-22	X	X				2
S3-23	X	X				2
S3-24	X	X				2
S3-25	X	X				2

Sample Beneficiary-Month	Deficiency 1	Deficiency 2	Deficiency 3	Deficiency 4	Deficiency 5	No. of Deficiencies
S3-26	X	X				2
S3-27	X	X				2
S3-28	X	X				2
S3-29	X	X				2
S3-30		X				1
S3-31	X	X				2
S3-32	X					1
S3-33	X	X		X		3
S3-34	X	X				2
S3-35	X	X				2
S3-36	X	X				2
S3-37	X	X				2
S3-38		X	X			2
S3-39		X	X			2
Category Totals	**93**	**67**	**64**	**39**	**31**	**294**
137 Beneficiary-Months in Error						

APPENDIX G: STATE AGENCY COMMENTS

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

State of New Jersey
DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES
PO BOX 712
TRENTON, NJ 08625-0712

JENNIFER VELEZ
Commissioner

VALERIE HARR
Director

September 16, 2013

James P. Edert
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General
Office of Audit Services Region II
Jacob K. Javits Federal Building
26 Federal Plaza – Room 3900
New York, NY 10278

Report Number: A-01-12-01009

Dear Mr. Edert:

This serves as a response to your letter dated July 17, 2013 concerning the Department of Health and Human Services, Office of the Inspector General's (OIG) draft report entitled *"Most of New Jersey's Claims for Medicaid Supported Employment were Unallowable."* Your letter provides the opportunity to comment on this draft report.

The objective of this review was to determine whether the Division of Medical Assistance and Health Services' (DMAHS) claim for Medicaid reimbursement for Supported Employment under the Community Care Waiver (CCW) program complied with certain Federal and State requirements. The Division of Developmental Disabilities (Division) administers the CCW program.

The draft audit report concluded that most of New Jersey's claims for reimbursement for supported employment services did not fully comply with certain Federal and State requirements. Specifically, 2 of the 139 beneficiary-months in the random sample were properly claimed for Medicaid reimbursement for all supported employment program services, the remaining 137 beneficiary-months were not allowable for Medicaid reimbursement. Based upon the sample results, the auditor estimated that New Jersey improperly claimed at least $7.074.969 in Federal Medicaid reimbursement for unallowable supported employment services claimed between January 1, 2008 and November 30, 2011.

We appreciate the opportunity to provide this response to the draft OIG audit report. Following are the auditors' recommendations and the Division of Medical Assistance and Health Services responses:

The OIG recommends that New Jersey refund $7,074,969 to the Federal Government.

The State concurs with some but not all of the findings concerning claims for unallowable supported employment services. The State respectively requests that the amount of the refund be recalculated based upon a review of the supporting documentation retrieved by Division staff subsequent to the OIG Exit Conference. The supporting information is included on the attached excel spreadsheet and hard copies of the documentation are available for review.

The OIG recommends that New Jersey complies with certain Federal and State requirements by requiring the Division and/or providers to do the following:

1. Claim reimbursement only for documented supported employment services
2. Provide supported employment services only to beneficiaries for whom there is a completed and approved care plan
3. Ensure and document that all beneficiaries approved for supported employment services have been assessed and certified to need the required level of care; and
4. Ensure and document that all job coaches meet division qualifications.

The Division is in the process of establishing new monitoring requirements for approved Supported Employment providers. Effective October 2014 quarterly visits to approved supported employment administrative sites will be conducted by case management staff and/or support coordinators. Service Plans, including annual level of care re-determinations, and job coach documentation requirements will be reviewed at the quarterly visits. Additionally, the Division is establishing new requirements for supported employment reviews. One of these changes is moving from a single administrative review of personnel files every 5 years to a review being completed at each agency site review. Personnel file reviews will include ensuring that staff attend all required trainings and meet the educational and/or job experience requirements.

The Division is also establishing a fee-for-service system which utilizes a service plan that clearly identifies which waiver services are being rendered and claimed. This change should ensure that agencies do not improperly bill for supported employment services when day habilitation is being provided.

DMAHS is retaining an independent auditing firm that will audit CCW service providers' claims, including supportive employment services. These audits will begin within the next few months and should strengthen oversight of the CCW program.

If you have any questions or require additional information, please contact me or Richard Hurd at 609-588-2600.

Sincerely,

Valerie Harr
Director

VH:H
c: Jennifer Velez
Richard Hurd