



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF AUDIT SERVICES  
233 NORTH MICHIGAN AVENUE  
CHICAGO, ILLINOIS 60601

REGION V  
OFFICE OF  
INSPECTOR GENERAL

February 6, 2009

Report Number: A-05-08-00025

Mr. Cal Ludeman  
Commissioner  
Minnesota Department of Human Services  
P.O. Box 64998  
St. Paul, Minnesota 55164-0998

Dear Mr. Ludeman:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Section 1915(c) Mental Retardation or Related Conditions Waiver Services at ACR Homes, Inc., From July 1, 2004, Through June 30, 2005." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Lynn Barker, Audit Manager, at (317) 226-7833, extension 21 or through e-mail at [Lynn.Barker@oig.hhs.gov](mailto:Lynn.Barker@oig.hhs.gov). Please refer to report number A-05-08-00025 in all correspondence.

Sincerely,

  
Marc Gustafson  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Jackie Garner, Consortium Administrator  
Consortium for Medicaid and Children's Health Operations  
Centers for Medicaid & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF SECTION 1915(c)  
MENTAL RETARDATION OR  
RELATED CONDITIONS WAIVER  
SERVICES AT  
ACR HOMES, INC.,  
FROM JULY 1, 2004, THROUGH  
JUNE 30, 2005**



Daniel R. Levinson  
Inspector General

February 2009  
A-05-08-00025

# ***Office of Inspector General***

<http://oig.hhs.gov>

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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Title XIX of the Social Security Act (the Act), 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 and 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.

Section 1915(c) of the Act authorizes Medicaid Home and Community-Based Services (HCBS) waiver programs. A State's HCBS waiver program must be approved by CMS and allows the State to claim Federal reimbursement for those services not usually covered by Medicaid. These HCBS services are generally provided to Medicaid-eligible beneficiaries in a home or community-based setting instead of an institutional setting.

The Minnesota Department of Human Services (State agency) provides oversight for Minnesota's Medicaid program, known as Medical Assistance, for compliance with Federal requirements. The Minnesota Mental Retardation or Related Condition (MR/RC) waiver program is one of five CMS-approved Section 1915(c) HCBS waivers that receive Federal reimbursement. The State agency's Disability Services Division monitors the MR/RC waiver program, and the county social service agencies (county offices) administer the program.

The State agency claimed Federal reimbursement totaling \$421 million for services provided by 1,361 providers under the MR/RC waiver program during State fiscal year (SFY) 2005 (July 1, 2004, through June 30, 2005). During this time, ACR Homes, Inc. (ACR) received Medicaid reimbursement totaling \$13.8 million (\$6.9 million Federal share), which was the second largest amount of payments under the MR/RC waiver program.

### **OBJECTIVE**

Our objective was to determine whether the State agency's claim for Medicaid reimbursement for MR/RC waiver services provided by ACR during SFY 2005 complied with Federal and State requirements.

### **SUMMARY OF FINDINGS**

During SFY 2005, the State agency claimed waiver services totaling \$9,559 (\$4,780 Federal share) that did not comply with Federal or State requirements and we estimate the State agency claimed waiver services totaling \$198,539 (\$99,270 Federal share) that may not have been allowable for Medicaid reimbursement. Of the 100 random beneficiary-months reviewed, the State agency claimed reimbursement for HCBS that:

- were provided by ACR and were allowable for 85 beneficiary months,
- were unallowable for 7 beneficiary-months because ACR did not meet documentation requirements (2 of these beneficiary-months also included HCBS that may have been unallowable and are included within the next statement); and
- may have been unallowable for 10 beneficiary-months because we could not determine whether the services claimed were actually provided or allowable for reimbursement.

The claims for unallowable services were made because ACR did not implement sufficient internal controls to ensure it documented and claimed reimbursement only for allowable services actually provided and county offices did not maintain individual service plans (ISPs) and provide all ISPs to ACR. The claims for services that may have been unallowable related to “leave days,” which are days in which beneficiaries were temporarily absent from HCBS, but for which ACR may have been responsible for the beneficiaries’ “24-hour plan of care.” Minnesota Administrative Code, State agency guidance, and county office contracts with ACR did not consistently define “leave days” or describe how reimbursement for these days should be determined for HCBS providers. Consequently, we could not determine whether the State agency claims for HCBS during beneficiaries’ “leave days” were allowable.

## **RECOMMENDATIONS**

We recommend the State agency:

- refund \$4,780 to the Federal Government for unallowable HCBS claimed in SFY 2005;
- work with CMS to resolve the \$198,539 (\$99,270 Federal share) in payments that may have been unallowable for HCBS claimed when beneficiaries may have been on “leave days;”
- require county offices to maintain ISPs in accordance with Federal and State requirements, provide ISPs to ACR, and review provider contracts for compliance with State policy on “leave days;” and
- require ACR to strengthen its internal controls to ensure it documents and claims reimbursement for MR/RC waiver services actually provided in accordance with Federal and State requirements.

## **STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments to our draft report, the State agency stated that it will review the unsupported claim payments to determine the reason(s) for the lack of documentation, develop a plan of correction to address those reasons, and verify the amount of the disallowance. The State agency indicated that it will work with CMS to resolve the \$198,539 in questioned costs and will require Dakota, Ramsey, and Hennepin counties and ACR to provide plans of correction and

timetables to implement corrective actions. The State agency's comments are included in their entirety as Appendix C.

We continue to recommend that the State agency refund \$4,780 to the Federal Government.

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## INTRODUCTION

### BACKGROUND

#### Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), 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 and 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. The Minnesota Department of Human Services (State agency) provides oversight of Minnesota's Medicaid program, known as Medical Assistance, for compliance with Federal requirements.

#### 1915(c) Waivers

Section 1915(c) of the Act authorizes Medicaid Home and Community-Based Services (HCBS) waiver programs. A State's HCBS waiver program must be approved by CMS and allows the State to claim Federal reimbursement for those services not usually covered by Medicaid. HCBS services are generally provided to Medicaid-eligible beneficiaries in a community rather than an institutional setting. With CMS approval and pursuant to section 1915(c)(4)(B), States determine the services that may be provided under the waiver program including:

. . . case management services, homemaker/home health aide services and personal care services, adult day health services, habilitation services, respite care, and such other services requested by the State as the Secretary may approve and for day treatment or other partial hospitalization services, psychosocial rehabilitation services, and clinic services (whether or not furnished in a facility) for individuals with chronic mental illness.

#### Minnesota's Mental Retardation or Related Condition Waiver

In Minnesota, the Mental Retardation or Related Condition (MR/RC) waiver program is one of five Section 1915(c) HCBS waivers that receive Federal reimbursement and are approved by CMS. The MR/RC waiver allows the State agency to claim Medicaid reimbursement for HCBS provided to individuals with mental retardation or related conditions in a home or community setting instead of an institutional setting. The State agency's Disability Services Division monitors the MR/RC waiver program, and the county social service agencies (county offices) administer the program. The State agency claimed Federal reimbursement totaling \$421 million for HCBS provided by 1,361 providers under the MR/RC waiver program during State fiscal year (SFY) 2005 (July 1, 2004, through June 30, 2005).

## **ACR Homes, Inc.**

ACR Homes, Inc. (ACR) provided HCBS to 164 individuals under contracts with five Minnesota counties<sup>1</sup> during SFY 2005. During this time, ACR received Medicaid reimbursement totaling \$13.8 million (\$6.9 million Federal share), which was the second largest amount of payments under the MR/RC waiver program.

This review of the State agency's claim for reimbursement for HCBS at ACR is one in a series of reports regarding Minnesota's claims for HCBS.

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

### **Objective**

Our objective was to determine whether the State agency's claim for Medicaid reimbursement for MR/RC waiver services provided by ACR during SFY 2005 complied with Federal and State requirements.

### **Scope**

Our review covered the State agency's claims for Medicaid reimbursement for HCBS provided by ACR under the MR/RC waiver program for SFY 2005. The State agency claimed \$13.8 million (\$6.9 million Federal share) for 29,688 services provided by ACR during 1,866 beneficiary-months<sup>2</sup> for this period. We selected a simple random sample of 100 beneficiary-months with payments totaling \$742,608 (\$371,304 Federal share) for review. The scope of our audit did not include a medical review or an evaluation of the medical necessity for the services that ACR provided and claimed reimbursement.

We limited our review to gaining an understanding of the State agency's controls related to Medicaid claims and payments and to the operation of the MR/RC waiver program. We reviewed ACR internal controls for providing, documenting, and claiming reimbursement for HCBS. We did not review the propriety of HCBS payment rates.

We performed fieldwork at ACR in Roseville, Minnesota, the State agency in St. Paul, Minnesota, and county offices from March through August 2008.

### **Methodology**

To accomplish our objective, we:

- reviewed Federal and State law, Medicaid HCBS waiver regulations, the CMS "State Medicaid Manual," the Minnesota Disability Services Program Manual, and the CMS-approved MR/RC waiver;

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<sup>1</sup>The counties were Anoka, Dakota, Hennepin, Ramsey and Washington.

<sup>2</sup>A beneficiary-month includes all HCBS for a beneficiary for one month. The beneficiary-month can include multiple services.

- interviewed CMS, State agency, county office, and ACR officials regarding the waiver policies, procedures, and documentation requirements for the MR/RC waiver program;
- reconciled the MR/RC waiver services claimed for Federal reimbursement by the State agency on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (the Form CMS-64) to its accounting records for ACR for the quarter ended March 2005;
- analyzed the State agency's SFY 2005 payments to MR/RC service providers and determined that ACR received the second largest amount for all MR/RC providers;
- selected an unrestricted random sample of 100 beneficiary-months from the population of all HCBS claimed and paid to ACR for services provided to beneficiaries under the MR/RC waiver during SFY 2005 (Appendix A) and:
  - reviewed the supporting documentation including individual service plans (ISP), medical administration records, health progress notes, risk management plans, daily log notes, goal reports, employee timesheets, and ACR monthly residence absence reports;
  - verified services were paid appropriately based on beneficiaries' service agreements provided by the State agency;
  - verified claimed services by procedure code were included in the approved waiver application;
  - confirmed the beneficiaries' Medicaid eligibility for the services;
  - determined whether the staff that provided the services were qualified and met annual training requirements;
  - requested individual service plans not available in ACR's files from selected county offices that administered the MR/RC waiver program;
  - identified any services that were not provided or documented in accordance with applicable criteria; and
  - used the results of our sample to estimate the results for the sample population of beneficiary-months (see Appendix B).

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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **FINDINGS AND RECOMMENDATIONS**

During SFY 2005, the State agency claimed waiver services totaling \$9,559 (\$4,780 Federal share) that did not comply with Federal or State requirements and we estimate the State agency claimed waiver services totaling \$198,539 (\$99,270 Federal share) that may not have been allowable for Medicaid reimbursement. Of the 100 random beneficiary months reviewed, the State agency claimed reimbursement for HCBS that:

- were provided by ACR and were allowable for 85 beneficiary months,
- were unallowable for 7 beneficiary-months because ACR did not meet documentation requirements (2 of these beneficiary-months also included HCBS that may have been unallowable and are included within the next statement); and
- may have been unallowable for 10 beneficiary-months because we could not determine whether the services claimed were actually provided or allowable for reimbursement.

The claims for unallowable services were made because ACR did not implement sufficient internal controls to ensure it documented and claimed reimbursement only for allowable services actually provided and county offices did not maintain ISPs and provide all ISPs to ACR. The claims for services that may have been unallowable related to “leave days,” which are days in which beneficiaries were temporarily absent from HCBS, but for which ACR may have been responsible for the beneficiaries’ “24-hour plan of care.” Minnesota Administrative Code, State agency guidance, and county office contracts with ACR did not consistently define “leave days” or describe how reimbursement for these days should be determined for HCBS providers. Consequently, we could not determine whether the State agency claims for HCBS during beneficiaries’ “leave days” were allowable.

### **UNALLOWABLE HOME AND COMMUNITY-BASED WAIVER SERVICES**

The State agency claimed waiver services totaling \$9,559 (\$4,780 Federal share) that did not comply with Federal or State requirements.

#### **Federal Requirements**

Federal regulations require that HCBS are furnished under a written plan of care subject to approval by the State agency (42 CFR § 441.301(b)(1)(i)). Further, Federal regulations state that costs must be adequately documented in order to be allowable under Federal awards (2 CFR § 225, Appendix A (C.1.j)).

Section 2500.2 of the CMS “State Medicaid Manual,” instructs States to:

Report only expenditures for which all supporting documentation, in readily reviewable form, has been compiled and which is immediately available when the claim is filed. Your supporting documentation includes as a minimum the following: date of service, name of

recipient, Medicaid identification number, name of provider agency and person providing the service, nature, extent, or units of service, and the place of service. Do not report estimated amounts. (Emphasis in the original.)

Section 4442.6 of the CMS “State Medicaid Manual,” states that an assessment of the individual to determine the services needed to prevent institutionalization must be included in the plan of care. Further, the plan of care must specify the medical and other services to be provided, their frequency, and the type of provider. No Federal Financial Participation (FFP) is available for HCBS waiver services furnished without a written plan of care.

### **State Requirements**

Minnesota’s HCBS waiver states that each recipient (beneficiary) will have a plan of care updated every 12 months. The individual plan of care is documented in the ISP. The county office case managers are responsible for maintaining the ISP for a minimum of 3 years.

Minnesota Statute, Chapter 256B.092, subdivision 1b(8) requires that the ISPs must be agreed upon and signed by the beneficiary, the beneficiary’s legal guardian, or the parent if the person is a minor, and the authorized county representative. In addition, Minnesota Statute Chapter 245B.07 subdivision 1(3) provides that the license holder (provider) shall make a written request to the county case manager to provide a copy of the ISP, when a case manager does not provide a current ISP.

### **Unallowable Payments**

The State agency claimed waiver services totaling \$9,559 (\$4,780 Federal share) for 7 beneficiary-months in which adequate documentation was not maintained in accordance with Federal and State requirements. Specifically, the State agency claimed unallowable Medicaid reimbursement for:

- 2 services, totaling \$6,873, for one beneficiary-month when ACR did not maintain an updated ISP which included the beneficiary’s plan of care. While ACR did make a written request for an ISP to the county office, ACR did not obtain a current ISP;
- 267 services, totaling \$2,606, for five beneficiary-months when ACR did not maintain adequate documentation to support county authorized supplemental residential habilitation services were actually provided. The documentation did not identify staff providing the services, frequency, or length of services for claimed service units.
- 1 service, totaling \$80, for one beneficiary-month when ACR was unable to locate supporting documentation for claimed consumer-directed community services.

The claims for unallowable services were made because ACR did not implement sufficient internal controls to ensure it documented and claimed reimbursement only for allowable services actually provided and county offices did not maintain ISPs and provide all ISPs to ACR.

## POTENTIALLY UNALLOWABLE HOME AND COMMUNITY-BASED WAIVER SERVICES

We estimate the State agency claimed waiver services totaling \$198,539 (\$99,270 Federal share) that may not have been allowable for Medicaid reimbursement.

### Federal Requirements

Section 4442.3(B)(15) of the CMS “State Medicaid Manual” states, “FFP [Federal Financial Participation] is not available to facilities providing services in residential settings on days when waiver recipients are temporarily absent and are not receiving covered waived services (sometimes called reserve bed days). Medicaid payment may be made only for waiver services actually provided to an eligible recipient. . . . Since providers incur fixed costs such as rent, staff salaries, insurance, etc., even when a waiver recipient is temporarily absent, you may account for such continuing costs when developing payment rates for these providers . . .”

### State Requirements

Minnesota Rule 9525.1800 subpart 19a defines “leave days” as days when recipients are temporarily absent from services.

The Minnesota Disability Services Program Manual (DSPM)<sup>3</sup> states payment for leave days is not allowed through the MR/RC waiver program. The DSPM defines waiver leave days under the MR/RC Waiver as days when the beneficiary is not receiving residential services and the residential service provider is not responsible for the 24-hour plan of care as indicated in the ISP. The counties may apply occupancy adjustments (i.e., overhead expenses) in negotiating individual rates with providers to account for leave days. The county contracts negotiated with providers should specify the process that will be used by the county to adjust monthly or semi-monthly rates for beneficiary waiver leave days.

The State agency issued Bulletin #00-56-30 on 11/08/2000 to clarify policy on leave days used by persons on home and community-based services waivers. The Bulletin states:

**Payments for residential services funded through the MR/RC waiver program is limited to those services which are actually provided to an eligible recipient.** Therefore, payment for leave days, defined as days in which the residential service provider is not responsible for the 24-hour plan of care as indicated in the individual service plan for MR/RC . . . is not reimbursable under the waiver. [Emphasis in original]

### Payments for Waiver Leave Days

The State agency claimed reimbursement for beneficiary “leave days” during 10 beneficiary-months. During these 10 beneficiary-months, the State agency claimed reimbursement for

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<sup>3</sup>The Minnesota Disability Services Program Manual is an on-line manual at [http://www.dhs.state.mn.us/main/idcplg?IdcService=GET\\_DYNAMIC\\_CONVERSION&RevisionSelectionMethod=LatestReleased&dDocName=id\\_000852](http://www.dhs.state.mn.us/main/idcplg?IdcService=GET_DYNAMIC_CONVERSION&RevisionSelectionMethod=LatestReleased&dDocName=id_000852). Accessed May 7, 2008.

services for 56 beneficiary-leave days, including 19 days when beneficiaries were hospitalized and 37 days when beneficiaries were at family home visits.

Because Minnesota Administrative Code, State agency guidance, and county office contracts with ACR did not consistently define “leave days” and describe how reimbursement should be determined for HCBS providers, we could not determine whether the State agency claims for HCBS during beneficiaries’ “leave days” were allowable.

## **RECOMMENDATIONS**

We recommend the State agency:

- refund \$4,780 to the Federal Government;
- work with CMS to resolve the \$198,539 (\$99,270 Federal share) in payments that may have been unallowable for HCBS claimed when beneficiaries may have been on “leave days;”
- require county offices to maintain ISPs in accordance with Federal and State requirements, provide ISPs to ACR, and review provider contracts for compliance with State policy on “leave days;” and
- require ACR to strengthen its internal controls to ensure it documents and claims reimbursement for MR/RC waiver services actually provided in accordance with Federal and State requirements.

## **STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments to our draft report, the State agency stated that it will review the unsupported claim payments to determine the reason(s) for the lack of documentation, develop a plan of correction to address those reasons, and verify the amount of the disallowance. The State agency indicated it will work with CMS to resolve the \$198,539 in questioned costs and will require Dakota, Ramsey, and Hennepin counties and ACR to provide plans of correction and timetables to implement corrective actions. The State agency’s comments are included in their entirety as Appendix C.

We continue to recommend that the State agency refund \$4,780 to the Federal Government.

## **APPENDIXES**

## **SAMPLING METHODOLOGY**

### **POPULATION**

The sample population consisted of 1,866 beneficiary-months of service where ACR received Medicaid reimbursement totaling \$13,752,062 (\$6,876,031 Federal share) for MR/RC waiver services provided to beneficiaries between July 1, 2004 and June 30, 2005. A beneficiary-month was defined as all services provided for one beneficiary for one month.

### **SAMPLING FRAME**

The sampling frame is the same as the population.

### **SAMPLE UNIT**

The sampling unit was a beneficiary-month for which ACR provided waiver services to a beneficiary and received Medicaid reimbursement from the State agency.

### **SAMPLE DESIGN**

We used an unrestricted random sample of beneficiary-months.

### **SAMPLE SIZE**

We selected a sample size of 100 beneficiary-months.

### **SOURCE OF RANDOM NUMBERS**

The source of the random numbers was the Office of Inspector General, Office of Audit Service's statistical sampling software. We used the random number generator for our simple random sample.

### **METHOD FOR SELECTING SAMPLE ITEMS**

The beneficiary-months were sequentially numbered. A list of 100 random numbers between 1 and 1,866 was generated. The random numbers were matched to the corresponding listing of beneficiary-months.

### **ESTIMATION METHODOLOGY**

We used the Office of Inspector General, Office of Audit Services statistical software, to estimate the amount the State agency claimed for MR/RC waiver services that may not have been allowable for Medicaid reimbursement.

### SAMPLE RESULTS AND ESTIMATES

Of the 100 sampled beneficiary-months, 10 beneficiary-months included MR/RC waiver services totaling \$10,640 (\$5,320 Federal share) that may have been unallowable for Medicaid reimbursement. Using statistically valid sampling techniques, we estimate that State agency claimed \$99,270 for beneficiary “leave days” that may not have been allowable for Medicaid reimbursement.

#### Sample Estimate of Potentially Unallowable Beneficiary “Leave Day” Payments (Limits Calculated at the 90 percent Confidence Level)

	<u>Total Unallowable</u>	<u>Federal Share</u>
Point Estimate	\$198,539	\$99,270
Lower Limit	60,799	30,400
Upper Limit	336,279	168,140



Minnesota Department of **Human Services**

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December 30, 2008

Marc Gustafson  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
Office of the Inspector General for Audit Services  
233 North Michigan Avenue, Suite 1360  
Chicago, Illinois 30301

Re: Review of Section 1915(c) Mental Retardation or Related Condition Waiver Services at  
ACR Homes, Inc. from July 1, 2004 through June 30, 3005

Audit Report Number: A05-08-00025

Dear Mr. Gustafson:

Thank you for the opportunity to review and comment on your report covering waiver services provided by ACR Homes, Inc. It is our understanding that our response will be published in the Office of the Inspector General's final audit report. We appreciated the effort of your staff in keeping the Department informed of their progress during the audit. The report contained the following recommendations:

Recommendation #1: Refund \$4,780 to the Federal Government for unallowable HCBS claimed in SFY 2005;

Recommendation #2: Work with CMS to resolve the \$198,539 (\$99,270 Federal share) in payments that may have been unallowable for HCBS claimed when beneficiaries may have been on "leave days;"

Recommendation #3: Require county offices to maintain ISPs in accordance with Federal and State requirements, provide ISPs to ACR, and review provider contracts for compliance with State policy on "leave days;" and

Recommendation #4: Require ACR to strengthen its internal controls to ensure its documents and claims reimbursement for MR/RC waiver services actually provided in accordance with Federal and State requirements.

Marc Gustafson  
Page 2  
December 30, 2008

To meet these recommendations, we will review the unsupported claim payments to determine the reason(s) for the lack of documentation, develop a plan of correction to address those reasons, and verify the amount of the disallowance. Based on our review, the Department will modify existing or implement new policies and procedures to correct the problems. We will also require Dakota, Ramsey and Hennepin Counties and ACR Homes, Inc. to address the recommendations pertaining to them in this report and provide the Department with their individual plans of correction and timetables to implement their corrective action. We will work with CMS to resolve the \$198,539 in questioned costs.

The Department of Human Services will continue to evaluate the progress being made to resolve all audit findings until full resolution has occurred. If you have any further questions, please contact David Ehrhardt, Internal Audit Director, at (651) 431-3619.

Sincerely,



Cal R. Ludeman  
Commissioner

Cc: Lynn Barker, HHS OIG  
Scott Nelson, HHS OIG