

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

As part of its oversight activities, HHS-OIG is conducting a series of audits of States that claim Medicaid school-based costs with the assistance of contractors. Prior OIG audits found that States claimed unallowable Federal funds because contractors improperly conducted random moment time studies (RMTSs). Pennsylvania is one of the States that receives the highest amount of reimbursement for Medicaid school-based services, and it has an agreement with a contractor to conduct its RMTSs.

The objective of our audit was to determine whether Pennsylvania properly claimed Federal funds through its Medicaid school-based program.

How OIG Did This Audit

Our audit covered approximately \$590 million in Federal Medicaid payments for school-based services claimed from July 1, 2015, through June 30, 2019. This includes \$498 million for Medicaid-eligible health services and \$92 million for Medicaid administrative activities. We reviewed a stratified random sample of random moments, each coded as a "health service" or an "administrative activity." The stratified random sample comprised 310 random moments. We also reviewed the methods that Pennsylvania used to allocate health services costs to Medicaid.

Pennsylvania Improperly Claimed \$551 Million in Medicaid Funds for Its School-Based Program

What OIG Found

Pennsylvania improperly claimed Federal funds through its Medicaid school-based health services program. Specifically, Pennsylvania claimed estimated unallowable Federal funds totaling \$182.5 million because it did not support that all moments used in RMTSs and coded as Medicaid-eligible were for Medicaid-eligible health services or Medicaid administrative activities. Also, Pennsylvania improperly claimed an additional \$368.9 million when it used unsupported ratios to allocate costs to Medicaid. Finally, Pennsylvania's RMTSs did not include all days worked by school staff members because it did not include the first month of the school year. As a result of these deficiencies, Pennsylvania improperly claimed \$551.4 million. These deficiencies occurred because Pennsylvania and its contractor developed complex cost allocation methods that were difficult or impractical to support with documentation or did not follow CMS guidance.

What OIG Recommends and Pennsylvania Comments

We made several recommendations to Pennsylvania, including that it refund \$182.5 million in unallowable funds for unsupported Medicaid-eligible health services and Medicaid administrative activities, and support or refund \$368.9 million claimed based on its unsupported cost allocation method. We also made procedural recommendations to assist Pennsylvania in preparing accurate and supportable claims.

Pennsylvania disagreed with our monetary and procedural recommendations related to our first two findings and agreed with our procedural recommendation related to our third finding (RMTSs did not include all days worked by school staff members). Specifically, Pennsylvania disagreed with our recommendations related to our finding that moments were not supported as Medicaid-eligible. According to Pennsylvania, it was not required to provide documentation other than what RMTS participants provided and is not responsible for ensuring that all service providers are appropriately licensed. Also, Pennsylvania indicated that its ratios for allocating costs to Medicaid are accurate. Pennsylvania also described actions that it has taken or plans to take to improve its calculation of accurate and supportable school-based claims for Medicaid reimbursement.

After reviewing Pennsylvania's comments, we revised our determinations for two moments. Accordingly, we revised our associated recommendations. We maintain that our findings and recommendations, as revised, are valid.