



Babylon Union Free School District

Medicaid Reimbursements

2022M-91 | January 2023

Contents

- Report Highlights 1**

- Medicaid Reimbursements 2**
 - How Do District Officials Ensure Eligible Services Are Claimed and Reimbursed? 2

 - Officials Did Not Submit Medicaid-Eligible Claims for Reimbursements. 3

 - District Officials Did Not Implement Procedures to Identify Medicaid-Eligible Students. 4

 - District Officials Did Not Conduct a Cost-Benefit Analysis for Not Filing 4

 - District Officials Did Not Ensure They Had All Progress Notes for Eligible Services 5

 - What Do We Recommend? 6

- Appendix A – Eligible Service Claims Not Submitted and Reimbursed. 7**

- Appendix B – Response From District Officials 8**

- Appendix C – Audit Methodology and Standards 9**

- Appendix D – Resources and Services. 11**

Report Highlights

Babylon Union Free School District

Audit Objective

Determine whether the Babylon Union Free School District (District) claimed Medicaid reimbursements for all eligible Medicaid services provided.

Key Findings

The District did not claim any Medicaid reimbursements to which it was entitled, because District officials believed it was not cost-effective to file Medicaid claims. However, they could not provide a current cost-benefit analysis to support their position. As a result, District taxpayers incurred the full cost of providing more than \$536,000 in Medicaid-eligible services. Had these services been claimed, the District could have realized potential reimbursements, totaling \$268,308.

District officials did not:

- Claim any Medicaid reimbursements, totaling \$442,841, for 18 Medicaid-eligible students.
- Examine and seek Medicaid reimbursements, totaling \$93,774, for 25 students we identified were likely Medicaid-eligible.
- Establish Medicaid claim policies and procedures or ensure that sufficient documentation was maintained for eligible services provided.

Key Recommendations

- Establish a process to identify all possible Medicaid-eligible students.
- Establish procedures to ensure all Medicaid documentation requirements are met.
- Submit all eligible claims for reimbursement.

District officials generally agreed with our recommendations and have indicated they planned to initiate corrective action.

Background

The District serves the Town of Babylon in Suffolk County. The seven-member elected Board of Education (Board) is responsible for the general management and control of financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible, along with other administration staff, for the day-to-day management under the Board's direction.

The District's Director of Special Education also serves as the Chairperson of the Committee on Special Education who oversees the special education department including the development and implementation of individualized education program (IEP) for students enrolled in special education programs.

The District can receive Federal reimbursement for many special education services provided to Medicaid-eligible students by submitting claims to the New York State (NYS) Department of Health (DOH). Claims must be supported by documentation of the services delivered to students and must be submitted within 15 months of the date that services were provided.

Quick Facts

2020-21 Revenue	\$55 million
2020-21 Appropriations	\$57 million
Total Medicaid Reimbursements Not Realized for 2019-21	\$268,308
Enrollment	1,600

Audit Period

July 1, 2019 – June 30, 2021

Medicaid Reimbursements

The NYS Education Department (SED) and DOH jointly established the School Supportive Health Services Program (SSHSP) to help school districts obtain Medicaid reimbursement for certain diagnostic and health support services provided to eligible students with IEPs. Services eligible for Medicaid reimbursement include, but are not limited to, physical, occupational and speech therapies, psychological counseling, skilled nursing services and special transportation.

All SSHP services are reimbursed using an encounter-based claiming methodology, based on fees established by DOH. Using the fee schedule, school districts can submit Medicaid claims for the gross amounts eligible for reimbursement. School districts then receive Medicaid reimbursements for approved claims. The State's share of Medicaid reimbursements received by a school district is generally 50 percent, which is collected by deducting this amount from a district's future State aid payments.

How Do District Officials Ensure Eligible Services Are Claimed and Reimbursed?

District officials should establish written policies and procedures that outline the process for filing Medicaid reimbursement claims. A well-designed system for claiming Medicaid reimbursements requires assigning the responsibility for specific activities to staff members to ensure they understand the overall objectives and their role in the process. In addition, officials should provide adequate oversight to ensure that all claim reimbursement documentation requirements are met.

To submit Medicaid claims for reimbursement of services provided to Medicaid-eligible students for whom the district officials have developed an IEP, officials must:

- Obtain parental consent to bill Medicaid for the services provided,
- Generate an IEP that describes the student's learning goals,
- Ensure all claims for services and evaluations are as prescribed in the student's IEP,
- Obtain a written order or referral (prescription) from a qualified provider documenting the medical necessity of the services before initiating services,
- Ensure the services are provided by licensed and registered practitioners or under the supervision of a licensed practitioner and document the services were provided or prescribed, and
- Obtain transportation logs where applicable.

Services must be documented in session notes, special transportation log, medication administration record or evaluation report. For example, session notes must be completed by all qualified providers within 45 days after services are provided. Qualified providers are those who provide ongoing therapy services that are authorized in students' IEPs. Session notes must include the student's name, specific type of service provided, whether the service was provided individually or in a group, the setting in which the service was rendered, date and time the service was rendered, a brief description of the student's progress made by receiving the service during the session, name, title, and signature/credentials of the servicing provider and dated signature/credentials of the supervising provider, as applicable.

District officials should promptly reconcile the claims submitted to the Medicaid reimbursements received to ensure all claims are paid. Any rejected or disallowed amounts should be reviewed by officials to determine whether these claims can be resubmitted for reimbursement. Generally, claims are required to be submitted for reimbursements within 15 months of the date the services are provided.

During the audit period, the District's service providers (providers) included employees, Western Suffolk Board of Cooperative Educational Services' staff, and third-party providers. The District's Director of Special Education is responsible for monitoring IEP plans, safeguarding and maintaining all the documentation regarding IEP plans and referrals.

Officials Did Not Submit Medicaid-Eligible Claims for Reimbursements

District officials did not submit any claims for Medicaid reimbursement during our audit period. The last reimbursement the District received was in 2012 for \$47. Officials already had 20 students with IEPs on their Medicaid qualifying list that are likely Medicaid-eligible and 18 of those students received eligible services and related evaluations for speech, occupational and physical therapy. Officials did not submit the claims to be reimbursed:

- For 2019-20, students received 4,942 eligible services, totaling \$226,554, and
- For 2020-21, students received 4,604 eligible services, totaling \$216,287.

Combined, claims were not submitted to Medicaid for reimbursement of 9,546 eligible services for our audit period, totaling \$442,841. Appendix A contains a comprehensive table of the number of services, eligible services and eligible service claims the District did not submit for reimbursement.

Had the District submitted these claims, it could have realized revenues of \$221,421 (50 percent of the Medicaid-eligible services provided).

District officials did not submit any claims for Medicaid reimbursement during our audit period.

District Officials Did Not Implement Procedures to Identify Medicaid-Eligible Students

The District did not establish any written policies and procedures to facilitate filing Medicaid reimbursement claims. The District does not have procedures in place for obtaining parental consent to bill Medicaid. The District should educate and inform parents of the financial benefits that the District would obtain if parents allowed the District to claim reimbursement for Medicaid-eligible services.

During our audit, we researched and identified 25 more students with IEPs that are likely Medicaid-eligible and received eligible services and related evaluations for speech, occupational and physical therapy, and psychological counseling. To determine whether the District had additional students eligible for Medicaid reimbursement, we compared a list of students who received an eligible service to the list of eligible students for free and reduced lunch. Claims for these services were not submitted for reimbursement:

- For 2019-20, 1,149 in eligible services, totaling \$34,321, and
- For 2020-21, 1,843 in eligible services, totaling \$59,453.

Combined, claims were not submitted for reimbursement for 2,992 eligible services for our audit period, totaling \$93,774. As a result, the District did not realize revenue, totaling \$46,887 (50 percent of the Medicaid reimbursements).

At the exit conference, District officials told us they implemented a new procedure for the 2022-23 school year to obtain parental consent. Staff now attach Medicaid consent forms to the special education evaluation packages requesting the parent's or legal guardian's permission to bill the student's Medicaid insurance program for special education and related services.

District Officials Did Not Conduct a Cost-Benefit Analysis for Not Filing

The Assistant Superintendent for Business told us that they did not file for Medicaid reimbursement because it is not cost-effective and the District based their decision on an internal auditor's report in 2014, which indicated that the cost of the work hours required to maintain a well-designed claims process exceeded the amount of reimbursement. The District's internal audit report indicated that the District had anticipated Medicaid revenue totaling \$173,826 and that if the District was to hire a licensed speech pathologist this would result in a net loss of \$45,372 for the two years ending in 2014. The internal auditor's report also indicated that the District could have a net profit of \$71,348 for two fiscal years under the "Stipend Method", requiring that existing teachers, who would have had to be licensed speech pathologists, would receive a stipend for performing the additional services necessary to submit claims to Medicaid. These amounts are

based on the students enrolled and receiving services at the time of the internal audit. Although District officials were informed by the internal auditor's report in 2014 that the District could have a financial benefit by submitting claims for Medicaid-eligible services, they failed to do so.

The District has not prepared an analysis in the past seven years that would allow them to identify the costs associated with filing claims for Medicaid reimbursement or identify potential revenues the District could receive. Furthermore, the District's position ignores the fact Medicaid-eligible services have been provided at a cost to the District and they are not taking steps to recoup a portion of those costs by submitting claims for the services

District Officials Did Not Ensure They Had All Progress Notes for Eligible Services

District officials did not establish any written procedures to facilitate filing Medicaid reimbursement claims, by ensuring that all documentation requirements were met. For example, there are no procedures in place to preserve session notes and other documentation that is required to be maintained by providers. We requested the session notes for the 43 students who were identified by us, and the District, as possibly Medicaid-eligible. The District was not able to provide any of the session notes for the services provided by the District.

The software the District uses to track student IEPs has modules available to maintain session notes and to assist the District with submitting claims for reimbursements. The District currently does not fully use these features. We identified session notes for 16 of the 43 students; however, these notes were provided to the District by the third-party vendor for 1,301 IEP-related services, totaling \$54,528 in Medicaid-eligible services. Seven of these 16 students were identified by the District as Medicaid-eligible and we identified nine as possibly Medicaid-eligible. The services for the remaining 27 students were provided by the District's employees who do not maintain notes. The lack of documentation prevents the District from claiming Medicaid reimbursement for eligible services and hinders the District's ability to verify if the required services were provided to students. Therefore, the District could have helped reduce the cost of special education services by \$27,264 if it had filed for Medicaid reimbursement.

At the exit conference, District officials told us that some of the session notes became available; however, they did not include all information required for Medicaid reimbursement.

What Do We Recommend?

District officials should:

1. Establish a process to identify all possible Medicaid-eligible students.
2. Establish procedures to ensure all documentation requirements are met to submit Medicaid claims for reimbursement for all eligible services provided.
3. Review all the unclaimed services identified in this report, and submit any eligible claims for reimbursement.
4. Require employees to maintain session notes showing services provided to special education students, as required for Medicaid reimbursement.
5. Prepare a cost-benefit analysis to determine whether or not Medicaid reimbursement cost-effectiveness can be substantiated.

Appendix A: Eligible Service Claims Not Submitted and Reimbursed

Figure 1: Eligible Service Claims Not Submitted for Reimbursement for the 18 Medicaid-Eligible Students

Eligible Services	Number of Services	Eligible Service Amount
Nursing Services	405	\$3,748
Occupational Therapy	1,609	77,113
Physical Therapy	739	34,432
Psychological Counseling	1,998	136,446
Special Transportation	902	15,354
Speech Therapy	3,893	175,748
Total	9,546	\$442,841

Appendix B: Response From District Officials

Babylon Union Free School District

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December 12, 2022

██████████, Chief Examiner
Division of Local Government and School Accountability
110 State Street
Albany, NY 12236

RE: Response to Draft Report of Examination

Dear ██████████:

The Babylon Union Free School District acknowledges receipt of the Draft Report of Examination 2022M-91 Medicaid Reimbursements. We agree with the report's finding that we did not claim any Medicaid reimbursements to which we were entitled because we believed it was not cost-effective to file Medicaid claims. We would like to offer the following narrative in response to the draft report.

At the beginning of this audit process, after our initial meeting in 2021 and prior to the start of the 2022-2023 school year. The district's special education office included a parental consent form in their mailings. To date, out of 335 forms mailed, the district has received thirty-three responses, a 10% response rate. The district will institute procedures to ensure that parental consent forms are mailed annually to parents of students receiving services that do not have a consent or a refusal already on file. We would also like to note that the amounts cited as lost revenue in the draft report are estimates and not absolute. We make this statement as we have not had the opportunity to yet review with your auditors the makeup of the numbers cited. Additionally, our district researched districts of comparable size and noted that the amounts received in Medicaid reimbursements for 2018-19 and 2019-20 in those similar sized districts were well below the amounts cited in the draft report. Nonetheless, the Administration and Board will thoroughly analyze all our options to ensure that we are acting within the best interests of all our stakeholders.

The district will submit a Corrective Action Plan in a timely manner that will allow our Board of Education and Administration to thoroughly review the recommendations contained in the draft report and establish a realistic action plan. We appreciate the professionalism displayed by your employees throughout this process.

Respectfully submitted,

Mr. Brian Conboy 
Interim Superintendent

Ms. Deirdre Lunetta, CPA
Assistant Superintendent for Business

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution, and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed Board policies to gain an understanding of the policies and procedures related to claiming Medicaid reimbursements and the IEP process.
- We listed all services for all the students from the Medicaid-Eligible list with IEPs to quantify the number of eligible services that are Medicaid reimbursable. Then, we multiplied this number by the amount of Medicaid payment rate as per SSHSP Billing Rates handbook. Then the total was divided by two because Medicaid reimburses 50 percent of cost of services.
- We requested from the District parental consents forms received from all the students who are Medicaid-eligible.
- We compared free/reduced lunch students with IEPs to the IEP Medicaid-Eligible list and selected the students who have not been identified as Medicaid-eligible students.
- We listed all services for all the students from the Free/Reduced Lunch Medicaid-Eligible list with IEPs to quantify the number of eligible services that are Medicaid reimbursable. Then, we multiplied this number by the amount of Medicaid payment rate as per SSHSP Billing Rates handbook. Then the total was divided by two because Medicaid reimburses 50 percent of the cost of services.
- We selected all the data for the 16 students from the vendor billing list and quantified all the services provided to these students. We then quantified all the services as per the billing fees allowed by Medicaid as per SSHSP guidelines, then we used the 50 percent allowed by Medicaid.
- We combined the list of students who belong to the 20 Medicaid-eligible students list provided by the District and the 25 students who we identified as Medicaid-eligible from the Free/Reduced lunch list and documented the names of the students that the District provided progress notes. We noted that the progress notes were only for the students who received services from a third-party vendor. The District did not provide the progress notes for the students that were provided eligible services by District employees.

We conducted this performance audit in accordance with GAGAS (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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3) (c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

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