

# Ausable Valley Central School District

## Medicaid Reimbursements

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**JANUARY 2019**

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Ausable Valley Central School District

### Audit Objective

Determine whether the District claimed all Medicaid reimbursements to which it was entitled for services provided to eligible special education students.

### Key Findings

- The District lacked adequate procedures to ensure Medicaid claims were submitted and reimbursed for all eligible services provided.
- Claims were not submitted and reimbursed for 1,674 eligible services totaling \$58,965 and service providers did not document 1,593 scheduled services totaling \$54,054 in the special education system (system) as having been provided to students. Had these services been appropriately claimed and documented, the District could have realized potential revenues totaling \$56,510.
- District officials did not submit any claims for reimbursement from 2011-12 through 2014-15 or submit claims for all eligible services provided from 2015-16 through 2017-18 due to inadequate procedures.

### Key Recommendations

- Establish procedures to ensure all documentation requirements are met to submit Medicaid claims for reimbursement for all eligible services provided.
- Review all unclaimed services, determine whether these services are reimbursable and submit any eligible claims for reimbursement.
- Ensure service providers document all service encounters in the system.

District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action. Appendix B includes our comment on an issue that was raised in the District's response letter.

### Background

The Ausable Valley Central School District (District) serves the residents of the Towns of Ausable, Black Brook and Peru in Clinton County, Chesterfield, Jay, Keene, Willsboro and Wilmington in Essex County and Franklin in Franklin 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 is the chief executive officer and, along with other administrative staff, is responsible for day-to-day management under the Board's direction.

The Director of Special Education (Director) oversees the District's special education program.

#### Quick Facts

Enrollment	1,155
2016-17 Medicaid Reimbursements	\$45,699
2017-18 Medicaid Reimbursements	\$49,327

### Audit Period

July 1, 2016 – June 30, 2018. We extended our audit period back to July 1, 2011 to review Medicaid claims submitted and reimbursed.

# Medicaid Reimbursements

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The New York State Education Department and New York State Department of Health (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. Related 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 SSHSP services are reimbursed using an encounter-based claiming methodology, based on fees established by DOH. Using the fee schedule, districts can submit Medicaid claims for the gross amounts eligible for reimbursement. Districts then receive Medicaid reimbursements for the amount of the approved claims. The State's share of Medicaid reimbursements received by a district is generally 50 percent,<sup>1</sup> which is collected by deducting this amount from a district's future State aid payments.

During the audit period, the District's service providers (providers) included employees, Clinton-Essex-Warren-Washington Board of Cooperative Educational Services (BOCES) staff and third-party providers. In addition, the District contracted with a vendor to identify Medicaid-eligible students and prepare, submit and resubmit Medicaid claims for reimbursement on the District's behalf.

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

A well-designed system for claiming Medicaid reimbursements requires assigning the responsibility for specific activities to ensure each participant understands the overall objectives and their role in the process. In addition, district 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 individual education plan (IEP), officials must obtain parental consent to bill Medicaid for the services provided, obtain prescriptions from a qualified ordering provider detailing the medical necessity of the services and document that the services were provided.

Services must be provided by a qualified provider or under the direction or supervision of a qualified provider. The attending provider, who has the overall responsibility for the student's medical care and treatment, must be registered in

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<sup>1</sup> The State's share of Medicaid reimbursements received by a District can be less than 50 percent for claims submitted and reimbursed for certain Medicaid-eligible students due to a temporary incentive. For report purposes, we used 50 percent of Medicaid reimbursements when calculating the District's corresponding amount of revenue.

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the Medicaid system in order for the services provided to be eligible to be claimed and reimbursed. In addition, the services provided must be in accordance with the student's IEP and properly documented<sup>2</sup> as close to the conclusion of the service encounter as practicable. Generally, claims are required to be submitted within 12 months of the date the services are provided.<sup>3</sup>

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.

### **Officials Did Not Ensure All Claims for Eligible Services Were Submitted and Reimbursed**

The District obtained parental consent to submit Medicaid claims for reimbursement of services provided to 29 eligible students during 2016-17 and services provided to 25 eligible students during 2017-18. We reviewed the records of services provided to 15 eligible students in 2016-17 (52 percent) and 15 eligible students in 2017-18 (60 percent),<sup>4</sup> and found that claims were not submitted and reimbursed for all eligible services provided.

For 2016-17, claims were not submitted and reimbursed for 980 of the 1,646.5<sup>5</sup> (60 percent) eligible services totaling \$33,577 recorded as being provided in the system. Similarly, for 2017-18, claims were not submitted and reimbursed for 694 of the 1,243 (56 percent) eligible services totaling \$25,388 recorded as being provided in the system. Consequently, the District did not receive Medicaid reimbursements totaling \$58,965, resulting in the District not realizing revenue totaling \$29,483.

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2 Session notes must be completed by all qualified providers furnishing the services authorized in a student's IEP for each Medicaid service delivered. 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, 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.

3 The claiming window was temporarily extended from 12 months to 21 months from the date of service for services provided on and after July 1, 2017.

4 Refer to Appendix C for information on our sampling methodology.

5 Physical and occupational therapy services that are provided to a student individually can be submitted for Medicaid reimbursement in 15 minute increments, which can result in half of a unit for a 30 minute scheduled service.

**Figure 1: Claims Not Submitted and Reimbursed For Eligible Services**

Type of Service	2016-17		2017-18		Total	
	Number of Services	Claim Amount	Number of Services	Claim Amount	Number of Services	Claim Amount
<b>Speech Therapy</b>	781	\$29,824	508	\$22,652	1,289	\$52,476
<b>Physical Therapy</b>	32	\$830	13	\$940	45	\$1,770
<b>Occupational Therapy</b>	53	\$1,868	3	\$224	56	\$2,092
<b>Skilled Nursing</b>	114	\$1,055	170	\$1,572	284	\$2,627
<b>Totals</b>	<b>980</b>	<b>\$33,577</b>	<b>694</b>	<b>\$25,388</b>	<b>1,674</b>	<b>\$58,965</b>

Claims were not submitted to Medicaid and reimbursed for the 1,674 eligible services for the following reasons:

- Encounters for 688.5 services totaling \$21,407 were not properly documented. For example, providers did not always record session notes in a timely manner or sign the notes and the supervising provider did not always sign and date the notes in a timely manner or at all.
- For 562 services totaling \$30,320 the attending provider was not enrolled in the Medicaid system.
- Prescriptions for 201 services totaling \$2,386 were either not obtained (20 services), not from a qualified provider (11 services) or were invalid<sup>6</sup> (170 services).
- The claims submitted for 114 services totaling \$1,055 were rejected by Medicaid because of submission errors and these claims were not corrected, resubmitted and reimbursed.
- Claims for 108.5 services totaling \$3,797 were not submitted, even though all the documentation requirements were met to submit these claims for reimbursement.

This occurred because officials did not establish adequate procedures to ensure that all documentation requirements were met to submit claims for reimbursement for all eligible services provided. For example, the providers were responsible for recording the details of service encounters in the system with limited or no oversight.

In addition, except for receiving notification of the total amounts of claims submitted for reimbursement by the vendor on the District's behalf, District officials did not receive or review any other documentation of claims submitted for reimbursement. As a result, officials had no way to ensure that claims were submitted for all eligible services provided or any rejected or disallowed claims were resubmitted.

<sup>6</sup> The prescription for skilled nursing services provided to one student contained an incorrect date range for these services making it invalid.

## Providers Did Not Properly Document All Service Encounters

Providers did not document all service encounters in the related services logs in the system.<sup>7</sup> For example, one student’s IEP specified that the student was scheduled to receive speech therapy in a small group three times each week from September 5, 2017 through June 22, 2018. However, the provider did not document session notes for these service encounters in the related service log until May 14, 2018.

This occurred because, although the provider documented service encounters in a notebook for the students she provided services to during 2017-18, officials did not become aware of this until May 2018. Officials then requested that the provider document future service encounters in the system. As a result, the vendor was unable to submit claims for reimbursement on the District’s behalf for any eligible services received from this provider during 2017-18 before May 2018.

We reviewed the same students included in our previous review of claims for reimbursement for the same years and calculated the number of scheduled services that were not documented as having been provided based on the related service logs in the system. We found that 716 scheduled services totaling \$20,906 were not documented as having been provided to students in 2016-17 and 877 scheduled services totaling \$33,148 were not documented as having been provided to students in 2017-18 (Figure 2).

**Figure 2: Scheduled Services Not Properly Documented As Having Been Provided**

Type of Service	2016-17		2017-18		Total	
	Number of Services	Claim Amount	Number of Services	Claim Amount	Number of Services	Claim Amount
<b>Speech Therapy</b>	519	\$15,726	806	\$27,979	1,325	\$43,705
<b>Physical Therapy</b>	90	\$3,449	29	\$2,033	119	\$5,482
<b>Occupational Therapy</b>	60	\$1,296	42	\$3,136	102	\$4,432
<b>Skilled Nursing</b>	47	\$435	0	\$0	47	\$435
<b>Totals</b>	<b>716</b>	<b>\$20,906</b>	<b>877</b>	<b>\$33,148</b>	<b>1,593</b>	<b>\$54,054</b>

This occurred because the providers were responsible for recording details of service encounters in the system with limited or no oversight. Consequently, the District did not submit claims for all eligible services provided. If these services were actually provided the District could have received potential Medicaid reimbursements totaling \$54,054 and realized potential revenues totaling \$27,027.

<sup>7</sup> The service encounters documented in the related service logs are used by the vendor to submit corresponding claims to Medicaid for reimbursement on the District’s behalf.

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## Claims Were Not Submitted For Reimbursement Each Year

We reviewed the documentation for submitted and reimbursed Medicaid claims from 2011-12 through 2017-18 and found that no claims were submitted for any eligible services provided to Medicaid-eligible students from 2011-12 through 2014-15.

**Figure 3: Medicaid Reimbursements and Revenue**

	Medicaid Reimbursements	Revenue (50 percent of Reimbursements)
<b>2011-12</b>	\$0	\$0
<b>2012-13</b>	\$0	\$0
<b>2013-14</b>	\$0	\$0
<b>2014-15</b>	\$0	\$0
<b>2015-16</b>	\$49,308	\$24,654
<b>2016-17</b>	\$45,699	\$22,850
<b>2017-18<sup>a</sup></b>	\$49,327 <sup>b</sup>	\$24,663
<b>Totals</b>	<b>\$144,334</b>	<b>\$72,167</b>

a The amounts for 2017-18 were based on the claims submitted and reimbursed at the time of our audit.

b The encounter-based fee-for-service rates increased for services provided on or after July 1, 2017, except for special transportation and skilled nursing services. Without the increased rates, the Medicaid reimbursements for 2017-18 would have totaled \$31,687.

District officials told us that they did not submit any claims for reimbursement for 2011-12 and 2012-13 because the former Director did not establish and implement procedures to ensure all documentation requirements were met to submit claims for reimbursement. The current Director, who began in the position on July 1, 2013,<sup>8</sup> told us that they did not submit any claims for reimbursement for 2013-14 and 2014-15 because a substantial amount of time was needed during these years to implement procedures to ensure that all documentation requirements were met to submit claims for reimbursement.

Because of inadequate procedures for claiming Medicaid reimbursements, claims were not submitted for reimbursement for these four years and all eligible services provided from 2015-16 through 2017-18. As a result, the District did not realize significant revenues to which it was entitled.

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<sup>8</sup> At the start of 2013-14, the District also contracted with their current vendor who prepares, submits and resubmits Medicaid claims for reimbursement on the District's behalf.

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## What Do We Recommend?

District officials should:

1. Establish procedures to ensure all documentation requirements are met to submit Medicaid claims for reimbursement for all eligible services provided.
2. Review documentation of claims submitted for reimbursement by the vendor on the District's behalf.
3. Reconcile the amounts claimed for Medicaid reimbursement with the amounts received, and review any rejected or disallowed claims to determine whether they may be resubmitted.
4. Review all the unclaimed services identified in this report, determine whether these services are reimbursable and submit any eligible claims for reimbursement.
5. Review records for the Medicaid-eligible students not included in our audit to determine whether the District is entitled to additional reimbursements for unclaimed services.
6. Ensure providers document all service encounters in the related service log in the system.

# Appendix A: Response From District Officials

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## AuSable Valley Central School Response to Comptroller Audit Report Medicaid Reimbursement

### Response to key findings regarding potential revenue

#### Overview

The AuSable Valley Central School recognizes the importance of capturing all available revenue to support the School District. The Medicaid reimbursement program was suspended by New York State in 2009. When it was reinstated in 2010, it came with multiple new reporting requirements including extensive documentation and training. The District recognized the difficulties in adhering to the new regulations so we hired an outside consultant to help us with the Medicaid Program, including the submission of bills on our behalf. During the middle of the process we had a long-time Director of Special Education retire and a new Director come on board. This extended the amount of time that it took the District to start billing again.

The District's priority when it comes to Medicaid Eligible students is to provide the services as prescribed by the students Individual Education Plan (IEP). These services are provided by both District Employees and by Outside Contract Service Providers. The District is continuing to train its' own employees to properly prepare all required documentation for billing, and is monitoring the process to make sure we are billing for all eligible services. It has been difficult to get the Outside Service Providers to properly document all services, plus get the Outside Service Providers to register as a provider with the Medicaid system. There are little to no options when it comes to available Outside Service Providers, there are only a couple of providers that the District can use to meet its legal requirements. More than half of all the potential non-submitted claims were services provided by these Outside Contractors, who did not register with Medicaid or prepare the required documentation for the District to be able to submit for Medicaid reimbursement. We have complained to the outside agencies about the lack of documentation required for Medicaid submission but were not able to correct the problem. Because there are no other available outside agencies for the District to turn to, combined with the fact that the District is required by law to provide the services to students, the District was not able to simply change providers.

The Comptroller's audit process was a learning experience for both the District and the Comptroller's auditor. The auditor had to learn all the processes involved in Medicaid billing during the course of the audit. Two of the early years in the auditor's report were actually audited during a previous Comptroller audit which resulted in no comments on the subject of Medicaid reimbursement.

See Note 1 Page 10
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**AuSable Valley Central School**  
**Response to Comptroller Audit Report**  
**Medicaid Reimbursement**

**Response by key findings regarding potential revenue**

1. In 2009-2010 the rules for Medicaid reimbursement completely changed requiring new extensive documentation and training. The District recognized the difficulties in adhering to the new regulations so we hired an outside consultant to help establish billing procedures. The District put new procedures in place and had key personnel trained.
2. Key service providers did not follow the established procedures for billing Medicaid, more than half of the total potential submissions were the result of Outside Service Providers not being registered or preparing the required documentation. The District is in the process of reviewing claims not submitted or rejected for the purpose of submission for reimbursement. The District has also reviewed the procedures with District personnel and has contacted the Outside Service Providers to ensure that they also follow the prescribed procedures. Due to very limited resources the District has no choice but to continue working with the Outside Service Providers, even though we have no control over their compliance with Medicaid procedures.
3. Due to personnel turn over it took much longer than anticipated to get the procedures in place and to have all the key personnel trained as required.

Respectfully,

  
Paul D. Savage II  
Superintendent

12/20/18

## Appendix B: OSC Comment on the District's Response

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### Note 1

Our prior audit report, *Ausable Valley Central School District – Internal Controls Over Selected Financial Activities (2013M-299)* released in February 2014, focused on department cash receipts and information technology and did not include Medicaid reimbursements.

## Appendix C: Audit Methodology and Standards

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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<sup>9</sup> and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and an employee of the vendor involved with the Medicaid reimbursement process and reviewed various records and reports to gain an understanding of procedures related to claiming Medicaid reimbursements and documented any associated effects of deficiencies in those procedures.
- In 2016-17 the District obtained parental consent to submit claims for 29 of the 47 Medicaid-eligible students and in 2017-18 parental consent was obtained for 25 of the 36 eligible students. We reviewed records of services provided to 15 of the 29 Medicaid-eligible students who received eligible services in 2016-17 and another 15 of the 25 eligible students in 2017-18 to determine whether claims were submitted to Medicaid and reimbursed for all eligible services provided to these students. We judgmentally selected our samples, without any known bias, from the Medicaid-eligible students who the District obtained parental consent to submit claims to Medicaid and received eligible services in 2016-17 and 2017-18. For eligible services provided for which claims were not submitted and reimbursed, we determined the reason and calculated the amount of the Medicaid reimbursements not received and the corresponding unrealized revenue.
- We reviewed documentation for our previously selected sample of students for the same years and calculated the number of scheduled services that were not documented as having been provided based on the related service logs in the system. We subtracted the recorded service encounters in accordance with the student's IEP, recorded services encounters not in accordance with the student's IEP (e.g., session not long enough or not in the proper ratio) and services recorded as not being provided (i.e., provider not available, student not available or school closed) from the number of scheduled services based on the student's IEP to calculate the number of scheduled services that were not documented as having been provided. We then calculated the amount of potential Medicaid reimbursements not received for these services and the corresponding unrealized potential revenue.
- We reviewed the documentation for submitted and reimbursed Medicaid claims from 2011-12 through 2017-18 to determine whether claims were submitted and reimbursed each year and to determine the amount of Medicaid reimbursements received and the corresponding revenue realized each year.

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<sup>9</sup> We also issued a separate audit report, *Ausable Valley Central School District – Claims Auditing (2018M-190)*.

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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 relevant population size 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

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

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

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

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

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg)

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

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

[www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf](http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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## Contact

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