

Attestation Report of the Nebraska Health and Human Services System Program 348—Medical Services/Aid July 1, 2004 through June 30, 2005

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Report Highlights

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Budget Program 348 reflects payments made through the Medicaid program (Title XIX of the Social Security Act) for allowable medical services delivered to low-income persons meeting specific eligibility requirements. Eligibility requirements vary by age, income level, medical need, and medical status. The Health and Human Services System (HHSS) Department of Finance and Support (Department) pays the Medicaid provider directly for services provided. Certain medical services must be covered by State Medicaid programs to obtain Federal financial participation. Coverage of services beyond those required is a State option. Nebraska covers 24 optional services. Expenditures of State funds are matched with Federal funds on a percentage basis that is adjusted annually.

Program 348 also includes the Nebraska Tobacco Settlement Fund, which receives money from a 1998 settlement with the tobacco industry that was a result of states' efforts to recoup money spent to care for ill smokers, and the Nebraska Medicaid Intergovernmental Trust Fund, which accounts for money received under an arrangement with government-operated nursing homes to increase Medicaid dollars received from the Federal government. Annually, the State transfers a total of \$50 million from the Tobacco Settlement Fund and the Medicaid Intergovernmental Fund to the Nebraska Health Care Cash Fund.

Program 348 reflects only aid payments for Medicaid services and does not include: the Children's Health Insurance Program 344; administrative expenditures accounted for in Program 341 Administration of Public Assistance; or the State matching for Medicaid of the Beatrice State Developmental Center accounted for in Program 421 Developmental Disability System.

Our report included 18 Comments and Recommendations as summarized below.

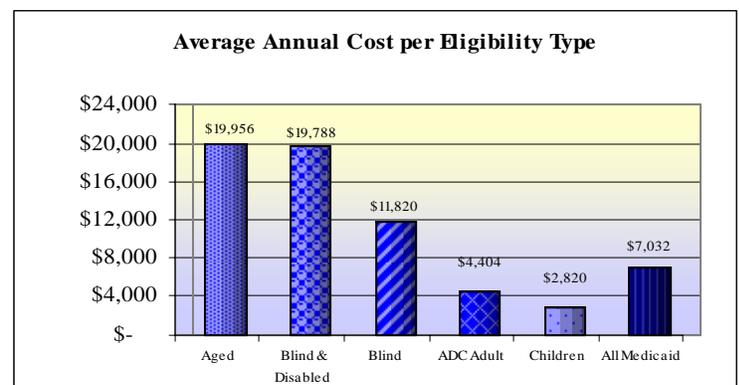
1. Questionable Financing Arrangements: Some states have used creative financing schemes that take advantage of statutory and regulatory loopholes

to claim excessive Federal matching payments. We noted two financing arrangements, UNMC DSH and ICF-MR Tax, which appear to be questionable.

2. Questionable Accounting Practices: In June 2004, the Department transferred \$7 million from Federal funds to the State General Fund, which was "paid back" in 2005; as a result, aid expenditures for fiscal year 2005 are overstated by \$7,000,000 in the General Fund and are understated in the Federal Fund. In addition, the financial schedule includes \$1,161,611 of aid expenditures in the Federal Clearing Fund, which should have been recorded as an adjustment to the fund balance. Therefore, Total Aid Expenditures are overstated on the financial schedule. We further noted \$9,826,469 was reported to the Federal regulatory agency as Medicaid expenditures; however, a corresponding entry was not made on NIS to record these costs.

3. Reconciliation Procedures Should be Improved: The Department prepares the Federal report using total expenditures and multiplies by the applicable Federal percentage to report the allocation between Federal and State funds. There is no reconciliation to ensure the Federal reports agree to NIS.

4. Incorrect Payments to Providers: Overpayments were noted for 13 of 151 claims tested with a dollar error of \$19,918 and an extrapolated error of \$11,929,153.



5. Claims Paid After Recipient's Death: During our testing of practitioner claims, we noted 1 of 45 claims were paid to a provider for services to a recipient who was deceased.

6. Payments for Bedholding: For six of nine individuals tested with hospital stays over 15 consecutive days, each payment to the nursing facility was overpaid for bedhold days, a 67% error rate.

7. Transportation Services: Claims for transportation services were not adequately reviewed. We were unable to verify the payment amount or rate was correct for three transportation claims tested and one transportation provider was paid twice for the same services. We also noted services for this same provider appeared unreasonable.

8. Retroactive Settlement Payments Incorrectly Calculated: Retroactive settlement payments to Hastings Regional Center and Lincoln Regional Center were incorrect.

9. Recipient Share of Cost: We noted 2 of 14 claims tested that required share of cost did not have the recipient's share of cost applied to the claims, resulting in overpayments of \$2,486.

10. Personal Assistance and Chore Services: Of the 15 claims tested, 10 had one or more exceptions noted; a 66% error rate.

11. Early Intervention Program: We noted service coordination expenses for the Early Intervention Program were reported twice on the Federal CMS 64 report. The payroll for these six employees were reported as administration expenditures and reported again as service coordination aid expenditures resulting in duplicate reporting on the Federal report.

12. Mental Health Practitioners: The Department did not have adequate procedures to ensure claims paid to Provisional Licensed and Licensed Mental Health Practitioners were reasonable and proper.

13. Lack of Segregation of Duties Over Receipts: One employee, who handles the Other Over-Payments from Providers, receives checks, makes the adjustments in MMIS, and reviews the entries made in MMIS. This employee is involved in all the key processes of MMIS Provider receivables.

14. Provider Agreements Not on File: We noted 5 of 127 provider claims tested did not have an approved agreement on file.

15. NIS Security: Our review of NIS security authorizations at June 30, 2005, noted 14 employees could prepare and approve their own transactions on NIS; 8 of these were corrected in July 2005. We also noted 11 employees had NIS user security to prepare transactions, but no one was set up on NIS for batch approval of these transactions.

16. Outstanding Warrants: The Department did not follow up on outstanding warrants.

17. CAFR and Statewide Single Audit Findings: Findings were noted in the Fiscal Year Ended June 30, 2005, State of Nebraska CAFR and Statewide Single Audit regarding general computer controls, Medicaid eligibility, and Medicaid reporting.

18. Reconciliation of Bank Records to the Nebraska Information System: The Department of Administrative Services' reconciliation process is still not done in a timely manner and continues to reflect unknown variances.

The complete report is available on the Auditor of Public Accounts Web site: www.auditors.state.ne.us.

