



Dave Yost • Auditor of State

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS OF THE MEDICAID PROGRAM APPLICABLE TO THE MEDICAID SCHOOL PROGRAM

James Kalis, Superintendent
Riverside Local School District
585 Riverside Drive
Painesville, Ohio 44077

Dear Mr. Kalis:

We examined your (the Provider's) compliance with specified Medicaid requirements for provider qualifications, service documentation, and service authorization related to the provision of Medicaid School Program (MSP) services. Specifically, we examined speech therapy (individual and group), therapeutic procedures, activities and techniques and licensed practical nurse (LPN) services during the period of July 1, 2011 through June 30, 2014. We tested service documentation to verify that there was support for the services rendered. We also examined the Individualized Education Program (IEP) and physician prescription to determine if there was authorization for the service and reviewed practitioner qualifications. The accompanying Compliance Examination Report identifies the specific requirements examined.

Provider's Responsibility

The Provider entered into an agreement with the Ohio Department of Medicaid (ODM) to provide services to Medicaid recipients (the Provider Agreement). The Provider Agreement outlines the responsibility to adhere to the terms of the agreement, state statutes and rules, federal statutes and rules, and the regulations and policies set forth in the Medicaid Handbook including the duty to maintain records supporting claims for reimbursement made by Ohio Medicaid. Therefore, the Provider is responsible for complying with the requirements and laws outlined by the Medicaid program.

Auditor's Responsibility

Our responsibility is to express an opinion and report on the Provider's compliance with the specified Medicaid requirements based on our examination. Our examination was performed under our authority in Section 117.10 of the Ohio Revised Code and conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and, accordingly, included examining, on a test basis, evidence supporting the Provider's compliance with those Medicaid requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. However, our examination does not provide a legal determination on the Provider's compliance with the specified Medicaid requirements.

Internal Control Over Compliance

The Provider is responsible for establishing and maintaining effective internal control over compliance with the Medicaid requirements. We did not perform any test of the internal controls and we did not rely on the internal controls in determining our examination procedures. Accordingly, we do not express an opinion on the effectiveness of the Provider's internal control over compliance.

Riverside Local School District
Independent Auditor's Report on
Compliance with Requirements of the Medicaid Program

Basis for Qualified Opinion

Our examination disclosed that in a material number of instances, the Provider's documentation lacked description of the services delivered, the units billed exceeded the documented duration, and nursing services lacked the required prescription or plan of care.

Qualified Opinion on Compliance

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the Provider has complied, in all material respects, with the aforementioned requirements pertaining to provider qualifications, service documentation and service authorization for the period of July 1, 2011 through June 30, 2014.

Our testing was limited to the specified Medicaid requirements detailed in the Compliance Examination Report. We did not test other requirements and, accordingly, we do not express an opinion on the Provider's compliance with other requirements.

We found the Provider was overpaid by Ohio Medicaid for services rendered between July 1, 2011 and June 30, 2014 in the amount of \$378,068. This finding plus interest in the amount of \$24,975.79 totaling \$403,043.79 is due and payable to ODM upon it's adjudication of this examination report. Based on the results of an audit, review, investigation or other activities, ODM may seek recoupment of funding related to overpayments, misuse, fraud, waste or abuse, or noncompliance with federal or state requirements from the MSP provider. Ohio Admin. Code § 5160-35-04(M)

This report is intended solely for the information and use of ODM and other regulatory and oversight bodies, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

February 27, 2017

COMPLIANCE EXAMINATION REPORT

Background

Title XIX of the Social Security Act, known as Medicaid, provides federal cost-sharing for each state's Medicaid program. The rules and regulations that providers must follow are specified in the Ohio Administrative Code and the Ohio Revised Code. The fundamental concept underlying the Medicaid program is medical necessity of services: defined in the MSP rules as skilled services recommended by qualified practitioner and meeting the general principles regarding reimbursement for Medicaid covered services. Ohio Admin Code § 5160-35-01 Medicaid providers must "maintain all records necessary and in such form so as to fully disclose the extent of services provided and significant business transactions" for a period of six years from receipt of payment or until any audit initiated within the six year period is completed. Providers must furnish such records for audit and review purposes. Ohio Admin. Code § 5160-1-17.2(D)(E)

Eligible recipients of MSP services are children between the ages of three to 21 who have an IEP which includes services that are allowable under Medicaid. See Ohio Admin. Code § 5160-35-01(A)(5) The only provider of MSP services are city, local or exempted village school districts, state schools for the blind and deaf and community schools. Ohio Admin. Code § 5160-35-02 (B)(1)

The Provider is a local school district located in Lake County, Ohio. The Provider's Medicaid number is 3121562 and during the examination period received a total reimbursement of \$808,968.08 for the following MSP services:

- 92506 – Speech evaluation
- 92507 and 92508 – Speech therapy (individual and group)
- 92522 and 92523 – Evaluation of speech sound production (articulate and language comprehension)
- 96150 – Health and behavior assessment
- 96151 – Health and behavior assessment (re-assessment)
- 97001 and 97002 – Physical therapy evaluation and re-evaluation
- 97003 and 97004 – Occupational therapy evaluation and re-evaluation
- 97110, 97112, 97116, 97140, 97150 and 97530 – Occupational or physical therapy procedure, activities and techniques (individual and group)
- 97533 – Sensory integrative techniques
- 97760 – Orthotic management
- T1002 – Registered Nurse (RN) services
- T1003 – Licensed Practical Nursing (LPN) services

The total reimbursement consisted of 10,275 services to 154 unique recipients on 8,716 recipient dates of services (RDOS). An RDOS is defined as all services for a given recipient on a specific date of service.

All services, except nursing services, were recorded and signed electronically by the rendering practitioner in an electronic health record (EHR) and were billed to Ohio Medicaid by a contracted third party vendor directly from this EHR system. The Provider contracted with two agencies for nursing services. Nursing services were entered into the EHR system by the third party billing vendor based on service documentation received from the home health agencies.

Purpose, Scope, and Methodology

The purpose of this examination was to determine whether the Provider's Medicaid claims for reimbursement complied with Ohio Medicaid regulations. Please note that all rules and code sections relied upon in this report were those in effect during the examination period and may be different from those currently in effect.

The scope of the engagement was limited to the following procedure codes the Provider billed to Ohio Medicaid and received payment for during the period of July 1, 2011 through June 30, 2014:

- 92507 – Treatment of Speech Individual;
- 92508 – Treatment of Speech Group;
- 97110 – Therapeutic Treatment, Direct patient contact 15 minutes each;
- 97116 – Gait Training, Direct patient contact 15 minutes each;
- 97150 – Therapeutic Procedures Group;
- 97530 – Therapeutic Activity Direct patient contact 15 minutes each; and
- T1003 – LPN services.

We obtained the Provider's claims history from the Medicaid Information Technology System (MITS) database of services billed to and paid by Ohio's Medicaid program. We removed services paid at zero. From this subpopulation we extracted all LPN nursing services (procedure code T1003) in which 40 or more units (10 hours or more) were billed. We then selected a simple random sample of 203 services (Statistical Sample 1) to facilitate a timely and efficient examination of the Provider's services as permitted by Ohio Admin. Code § 5160-1-27(B)(1).

From the remaining sub-population, we selected all procedure codes that were billed 100 or more times (procedure codes 92507, 92508, 97110, 97116, 97150 and 97530 as well as T1003 not included in Statistical Sample 1) and selected a statistical sample by RDOS. Specifically, we stratified the services by RDOS into two strata based on the number of services per RDOS and a 60 percent error rate (Statistical Sample 2). The final calculated stratified random sample is shown in Table 1.

Table 1: Statistical Sample 2		
Universe/Strata	Population	Sample
Strata 1 – RDOS with one service	6,467	525
Strata 2 - RDOS with two to four services	1,268	160
Total RDOS:	7,735	685

We then obtained detailed services for the 685 sampled RDOS. This resulted in a sample size of 856 services.

An engagement letter was sent to the Provider setting forth the purpose and scope of the examination. During the entrance conference, the Provider described its documentation practices, personnel related procedures and billing process. Our fieldwork was initiated following the entrance conference. The Provider was given multiple opportunities to submit missing records and we reviewed all documents received for compliance.

Results

Statistical Sample 1 – LPN Services with 40 or More Units

We examined 203 services and identified 285 errors. The overpayments identified for 203 of 203 statistically sampled services were projected to the Provider's sub-population of paid services resulting in a projected overpayment of \$189,051 with a 95 percent degree of certainty that the true population overpayment amount fell within the range of \$180,020 to \$198,082 (+/- 4.78 percent). A detailed summary of our statistical sample and projection results is presented in **Appendix I**.

Statistical Sample 2 – Procedure Codes Billed 100 or More Times

We examined 856 services and identified 600 errors. The overpayments identified for 407 of 685 RDOS (470 of 856 services) from our stratified statistical random sample were projected across the Provider's sub-population of paid RDOS. This resulted in a projected overpayment amount of \$206,481 with a precision of plus or minus \$20,809 at the 95 percent confidence level. Since the precision percentage achieved was greater than our procedures require for use of a point estimate, the results were re-stated as a single tailed lower limit estimate (equivalent to methods used in Medicare audits), and a finding was made for \$189,017. This allows us to say that we are 95 percent certain that the population overpayment amount is at least \$189,017. A detailed summary of our statistical sample and projection results is presented in **Appendix II**.

While certain services had more than one error, only one finding was made per service. The non-compliance found and the basis for our findings is described below in more detail.

A. Provider Qualifications

According to Ohio Admin. Code § 5101:3-35-02¹, a MSP provider shall employ or contract with licensed practitioners and shall require all employees and contractors who have in-person contact with recipients to undergo and successfully complete criminal records checks pursuant to Ohio Rev. Code § 5111.032. In addition, Ohio Admin. Code § 5101:3-35-05(B) states qualified practitioners who can deliver services through the MSP must be a licensed occupational therapist, occupational therapy assistant, physical therapist, physical therapy assistant, speech-language pathologist, speech-language pathology aide, audiologist, audiology aide, registered nurse, practical nurse, clinical counselor, counselor, independent social worker, social worker, psychologist or school psychologist.

We tested the 14 LPNs and 25 of the practitioners who rendered services in our statistical samples. We verified through the Ohio e-License website that all 39 individuals were appropriately licensed during our examination period.

We verified that criminal records checks were conducted through the superintendent of the bureau of criminal identification and investigation for the same 25 practitioners. We obtained this information through the Ohio Department of Education's website, from the Provider, and from a secondary employer of one practitioner.

¹ Per Section 323.10.70 of Am. Sub. H. B. 59 of the 130th General Assembly, the Legislative Services Commission renumbered the rules of the Office of Medical Assistance within the Department of Job and Family services to reflect its transfer to ODM. The renumbering became effective on October 1, 2013.

A. Service Documentation

Ohio Admin. Code § 5101:3-35-05(G) states that documentation for the provision of each service must be maintained and include the date the activity was provided, a description of the service, procedure and method provided, group size, duration in minutes or time in/time out and signature or initials of the person delivering the service. In addition, Ohio Admin. Code § 5101:3-35-05(C)(13) states that services provided on days or at times when the recipient is not in attendance are not allowable for reimbursement.

We limited our examination to ensuring documentation was present for services and contained a description of services rendered, that the procedural code billed was consistent with the service documented (including limitations), the units billed matched the documented duration and the recipient was in attendance on the date of service.

Statistical Sample 1 – LPN Services with 40 or More Units

We reviewed 203 services and identified the following errors:

- 203 services in which the units billed exceeded the units documented;
- 48 services in which the documentation did not contain a description of the service; and
- 1 service in which the attendance record indicated that the student was absent on the date of service and the nursing note indicated that the student stayed home.

These 252 errors were used in the overall projection of \$189,051. In those instances in which units billed exceeded units documented, the overpayment is based only on unsupported units.

Statistical Sample 2 – Procedure Codes Billed 100 or More Times

We reviewed 856 services and identified the following errors:

- 357 services in which the units billed exceeded the units documented;
- 228 services in which the documentation did not contain a description of the service
- 2 services in which the attendance record indicated the student was absent on the date of service and there was service documentation for one of the two services indicating time in and out and a description of the service; and
- 1 service in which there was no documentation.

These 588 errors were used in the overall projection of \$189,017. In those instances in which units billed exceeded units documented, the overpayment is based only on unsupported units.

It appeared as though the majority of errors for units billed exceeding units documented resulted from the documented units doubled and then billed. The Provider indicated that the third party billing vendor had a system error that caused this issue.

We noted that the service documentation did not always include the group size. We determined that these errors did not result in an overpayment by the Medicaid program because the services are paid on a per unit basis, regardless of group size.

B. Service Documentation (Continued)

Recommendation:

The Provider should develop and implement internal controls to ensure that only services actually rendered are billed. The Provider should also maintain service documentation and ensure that it includes all required elements, particularly a description of the service. In addition, the Provider should monitor billings and payments to verify accuracy. These issues should be addressed to ensure compliance with Medicaid rules and avoid future findings.

C. Service Authorization

Prescription for Nursing Services

Ohio Admin. Code §5101:3-35-05(F)(5) states that with the exception of evaluations and assessments, nursing services shall be prescribed by a Medicaid authorized prescriber acting within the scope of his or her practice under Ohio law who holds a current, valid license.

Individualized Education Program

According to Ohio Admin. Code §§ 5101:3-35-05(C)(11) and 5101:3-35-05(F)(3), services not indicated on the recipient's IEP prior to the provision of the service, with the exception of the initial assessment/evaluation, are not allowable for reimbursement. In addition, the IEP shall include specific services, including the amount, duration and frequency.

Statistical Sample 1 – LPN Services with 40 or More Units

We reviewed 203 services and found 33 services for which there was no prescription or plan of care from a physician authorizing the nursing service. All of the services were included on an IEP.

These 33 errors were used in the overall projection of \$189,051.

Statistical Sample 2 – Procedure Codes Billed 100 or More Times

We reviewed 856 services and identified three services in which there was no IEP to support the service and nine services in which the IEP did not authorize the service.

These 12 errors were used in the overall projection of \$189,017.

We noted that the IEPs were not always clear in documenting the modality of the service. If the service was authorized on the IEP and the documentation generally supported the service reimbursed, we considered the service compliant; regardless of whether a group or an individual service was rendered.

Recommendation:

The Provider should develop and implement internal controls to ensure it obtains proper authorization for nursing services and that services billed to Ohio Medicaid are specified in the IEP. The Provider should also ensure that IEPs include planned modality for each service. The Provider should address the identified issues to ensure compliance with Medicaid rules and avoid future findings.

Riverside Local School District
Independent Auditor's Report on
Compliance with Requirements of the Medicaid Program

Provider Response:

The Provider submitted an official response to the results of this examination which is presented in **Appendix III**. We did not examine the Provider's response and, accordingly, we express no opinion on it.

Appendix I

**Summary of Sample Record Analysis
 Statistical Sample 1 – LPN Services with 40 or More Units**

POPULATION

The population is all paid Medicaid LPN services (procedure code T1003) billed with 40 or more units, net of any adjustments, where the service was performed and payment was made by ODM during the examination period.

SAMPLING FRAME

The sampling frame was paid and processed claims from MITS. This system contains all Medicaid payments and all adjustments made to Medicaid payments by the State of Ohio.

SAMPLE UNIT

The sampling unit was a paid Medicaid service.

SAMPLE DESIGN

We used a simple random sampling approach.

Description	Results
Number of Population Services Provided	825
Number of Population Services Sampled	203
Number of Services Sampled with Errors	203
Total Medicaid Amount Paid for Population	\$293,116.73
Amount Paid for Population Services Sampled	\$72,409.29
Projected Population Overpayment Amount	\$189,051
Upper Limit Overpayment Estimate at 95 Percent Confidence Level	\$198,082
Lower Limit Overpayment Estimate at 95 Percent Confidence Level	\$180,020
Precision of population overpayment projection at the 95 percent confidence level	\$9,031 (+/- 4.78%)

Source: Analysis of MITS information and the Provider's records

Appendix II

**Summary of Sample Record Analysis
 Statistical Sample 2 – Procedure Codes Billed 100 or More Times**

POPULATION

The population is all paid Medicaid procedure codes with 100 or more services billed (procedure codes 92507, 92508, 97110, 97116, 97150 and 97530 as well as T1003 not included in Statistical Sample 1), net of any adjustments, where the service was performed and payment was made by ODM during the examination period.

SAMPLING FRAME

The sampling frame was paid and processed claims from MITS. This system contains all Medicaid payments and all adjustments made to Medicaid payments by the State of Ohio.

SAMPLE UNIT

The sampling unit was an RDOS.

SAMPLE DESIGN

We used a stratified random sampling approach.

Description	Results
Number of Population RDOS Provided	7,735
Number of Population RDOS Sampled	685
Number of RDOS Sampled with Errors	407
Number of Population Services	9,109
Number of Population Services Sampled	856
Number of Services Sampled with Errors	470
Total Medicaid Amount Paid for Population	\$477,864.13
Amount Paid for Population Services Sampled	\$43,399.82
Estimated Overpayment Amount (Point Estimate)	\$206,481
Precision of Overpayment Estimate at 95 Percent Confidence Level	\$20,809
Precision of Estimate at 90 Percent Confidence Level	\$17,463
Single-tailed Lower Limit Overpayment Estimate at 95% Confidence Level (Calculated by subtracting the 90 percent overpayment precision from the point estimate) (Equivalent to method used in Medicare audits.)	\$189,017

Source: Analysis of MITS information and the Provider's records

RIVERSIDE LOCAL SCHOOLS

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Riverside Local School District's Response to Medicaid Audit Report

The Auditor of State's Report identified a number of errors resulting in a monetary finding for recovery against the District. Since receiving preliminary findings from the Auditor, the District has taken numerous steps to correct root causes underlying the findings, including the following:

- **Termination of Contract with Third-Party Billing Vendor.** The majority of the errors identified in the Report involved overbillings submitted by the District's former third-party billing company. Specifically, the Report notes a total of 560 instances in which the units billed exceeded the units documented. According to the third-party vendor, its computerized billing system incorrectly submitted claims where the number of units submitted were double the units of service provided. This error occurred over a period of several years. The District has ended its contract with the third-party billing vendor whose system error caused the overbilling.
- **Missing Documentation.** The Report noted 33 errors that resulted from situations where there was no prescription or plan of care authorizing nursing services. However, upon investigation, the District determined that all of these errors resulted from two students for whom the necessary documentation was not on file. The District primarily utilizes outside agencies to provide nursing services to students and has relied on these agencies to maintain the necessary documentation. The District also relied on its third-party billing vendor to provide oversight in this process. Given the Report's findings, the District now receives copies of all physician orders and plans of care and maintains these documents in the students' file.
- **Data Entry Errors.** A significantly smaller number of errors resulted from issues where data was apparently not entered correctly by the individual who provided the services (e.g., speech language pathologist, occupational therapist, etc.). After receiving preliminary findings, the District provided staff training, conducted by its former third-party billing vendor, regarding data-entry. Going forward, training will be provided on an annual basis by the District's new third-party billing vendor.
- **Additional Information.** The District has taken additional steps to address the errors found in the report. Specifically, the District has made all providers who bill Medicaid aware of findings related to the individual provider. Additionally, a standard Medicaid form was developed by all providers to keep documentation/therapy logs and for the submission of Medicaid billing that includes all of the required components for submission to Medicaid. The District is working closely with all provider agencies, as well as exploring other options for service delivery to ensure compliance with Medicaid billing requirements. Finally, the District is working with a new third-party billing vendor that will provide training for staff as well as assist the District with the implementation of new controls in order to ensure future compliance with Medicaid billing requirements.

The District is committed to addressing the issues identified in the Report and has already taken significant steps to rectify the problems identified. The District will continue to examine its relationships with third-party vendors as well as its internal control mechanisms. The District would welcome any additional recommendations from the Auditor's Office regarding the findings in the Report.

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RIVERSIDE LOCAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 6, 2017