

The California State Auditor released the following report today:

California Department of Health Care Services

It Should Improve Its Administration and Oversight of School-Based Medi-Cal Programs

BACKGROUND

The California Department of Health Care Services (Health Care Services) operates two Medi-Cal programs in school settings: the School-Based Medi-Cal Administrative Activities program (administrative activities program) and the Local Educational Agency (LEA) Medi-Cal Billing Option Program (billing option program). For the administrative activities program, Health Care Services contracts with local educational consortia and local governmental agencies to perform many functions, such as contracting with claiming units—the school districts or local educational programs that claim federal reimbursements for participating in the administrative activities program—and also coordinating and submitting their reimbursement claims and overseeing their activities. LEAs participating in the billing option program file reimbursement claims using the Medi-Cal fee-for-service system through the State's fiscal intermediary.

KEY FINDINGS

During our audit of Health Care Services' administrative activities and billing option programs, we noted the following:

- Although Health Care Services implemented a reasonableness test criteria review process from October 2013 through October 2014 for the administrative activities program's claims, its controls over the process were insufficient to ensure consistent, appropriate, and timely federal reimbursements.
 - ✓ It did not accurately communicate the reasonableness test criteria to stakeholders and sometimes used incorrect criteria when reviewing claims.
 - ✓ Fewer than 10 percent of the claims that claiming units submitted under this process were approved.
- Its appeals process allows claiming units to appeal actions or decisions that local educational consortia or local governmental agencies make but not decisions that Health Care Services makes.
- Its oversight of local educational consortia and local governmental agencies is inadequate—it had not conducted site or desk reviews of these entities within the required time frame and contracts between these entities and their claiming units contain problematic provisions, in part, because Health Care Services does not monitor the contracts.
- Health Care Services does not track administrative fees claiming units pay, and thus cannot ensure that these fees are reasonable and necessary and therefore allowable as federal regulations require.
- The administrative activities program could save as much as \$1.3 million annually in coding costs alone if Health Care Services conducted a single statewide quarterly time survey—currently nine time surveys are conducted each quarter.
- Health Care Services has not maximized the number of claiming units participating in the administrative activities program—27 percent did not participate during fiscal year 2011–12, resulting in a loss to the State of nearly \$10.2 million in federal reimbursements.
- Claiming units lost out on claiming \$4.6 million in federal funding from February 2009 through June 2015 since Health Care Services did not allow them to claim reimbursement for translation activities at a federally approved higher rate.

KEY RECOMMENDATIONS

We recommended to the Legislature that it allow claiming units to submit reimbursement claims directly to Health Care Services and require Health Care Services to report on both school-based programs in a similar manner.

We made many recommendations to Health Care Services for its administrative activities program, including that it:

- Begin crafting regulations to establish a formal appeals process that allows claiming units to appeal its decisions.
- Improve its oversight of local educational consortia and local governmental agencies to ensure they meet their responsibilities and adhere to contract terms, and ensure claiming units use only allowable costs in calculating claims.
- Implement and perform a single statewide quarterly time survey and related activities.
- Revise reimbursement rates to reflect what federal law allows.
- Develop and implement an outreach program to maximize participation in the administrative activities program.