FLORIDA DEPARTMENT OF HEALTH
OFFICE OF INSPECTOR GENERAL

FUNDING SOURCES UTILIZED TO SERVE CHILDREN'S MEDICAL SERVICES MANAGED CARE PLAN CHILDREN

Report # R-1516DOH-025 • June 9, 2017

Purpose of this project:
We wanted to determine:

- Which services at Children's Medical Services (CMS) Managed Care Plan (CMS Plan) area offices (area offices) and related funding were to have moved under the CMS Plan.
- Whether services currently provided at area offices were paid for through the appropriate funding source.
- The appropriateness of expenditures related to nutritionist services.
- The appropriateness of personnel costs charged using Random Moment Sampling (RMS).
- The appropriateness of access in area offices to Department of Health's (Department) network and information technology (IT) resources.

What we examined:
Our review period was July 1 through September 30, 2016, for processes related to the objectives above. We reviewed additional documentation through end of fieldwork.

BACKGROUND

The CMS Plan began August 1, 2014, as a Specialty Managed Care Plan under the Statewide Medicaid Managed Care Program. The CMS Plan serves Title XIX Medicaid eligible children and Title XXI (the Children's Health Insurance Program) eligible children with special health care needs and chronic conditions across the State through a network of local providers.

CMS Plan enrollees generally are seen by physicians in the physician's setting. The CMS Plan also holds Specialty Clinics in some of its area offices, usually for a day or less, where physicians and other providers offer health care to CMS Plan enrollees and other children with specialized services need. The Specialty Clinics were established over time by the area office medical directors.

The CMS Plan contracts with two providers (Community Care Plan, formerly known as South Florida Community Care Network, and University of Florida's Ped-I-Care) to serve as an integrated care system (ICS). The ICSs recruit and maintain the provider network for the CMS Plan. The CMS Plan also contracts with MED3000 as its third-party administrator to process claims payment and resolution.

Then-State Surgeon General Armstrong in Spring 2016 requested our office review the CMS Plan to include the first four objectives identified above. During our planning phase, we became aware of a potential issue related to the use of a guest Wi-Fi by the physicians holding Specialty Clinics in the area offices. We added that objective pursuant to the concern.

Our review found while the CMS Plan began in 2014, transition of all the necessary facets of the CMS Plan were not, nor could be accomplished immediately. The CMS Plan continued to

transition during our review and will continue to transition as CMS Plan management seeks to address its responsibilities.

The Department is currently pursuing an improved model from the current CMS Plan for Florida's medically complex children with special health care needs.

ISSUES AND RECOMMENDATIONS

The following issues reflect areas CMS Plan management and others should address.

1. Staff in the area offices do not report directly or indirectly to the CMS Plan.

- Area office staff responsible for carrying out the duties of CMS Plan activities and who facilitate care to CMS Plan children do not organizationally report directly or indirectly to CMS Plan management at the Department's Central Office. Area office staff organizationally report to either the Regional Nursing Director (RND) or the Regional Program Administrator (RPA). The RND and RPA are direct reports to a Regional Medical Director (RMD). RMDs do not directly report to CMS Plan management at the Department's Central Office.
- Section 391.028(3), *Florida Statutes*, directs "[e]ach…area office shall be directed by a physician…who has specialized training and experience in the provision of health care to children."
- There are eight RMDs who oversee 20 area offices. Six are in Other Personal Services (OPS) positions and two are contracted employees. They are not full time equivalents (FTEs) employees of the Department.
- DOHP 60-7-13, *Classification*, explains "OPS staff cannot supervise positions."

We recommend the Department consider reorganizing staff who work in area offices to report to FTEs who report directly to the CMS Plan management at Central Office. Such a reorganization would improve accountability over necessary controls.

2. The methodology for reimbursing physicians for Specialty Clinics clouded the identity of Title XIX and other funding sources.

- Because the CMS Plan only reimburses at fee-for-service, CMS Plan has used Specialty Clinics and pays physicians $130 per hour ($130) to incentivize them to provide services to CMS Plan enrollees and other children with a need for specialized services.
- Health CMS Policy (HCMSP) 145-004-16, *Provider Reimbursement* (145-004), explains a physician providing care in a Specialty Clinic, "may choose…either...[the]…[h]ourly rate reimbursed at [a] flat rate [of] $130.00 per hour...[or the] [f]ee-for-service reimbursement consistent with the Medicaid Reimbursement rate for specific services. CMS physicians will be reimbursed at the Medicaid physician reimbursement rate."
- Providers have historically elected $130 because it may be higher than the Title XIX reimbursement rate.
- While 145-004 indicates the CMS Plan will only pay the Medicaid rate, area offices were paying approximately 120 providers who hold Specialty Clinics $130. The $130 included other funds in addition to Title XIX for enrolled children.

- The area offices in most instances directly paid physicians for the Title XIX children by coding such expenditures to the Other Cost Accumulator (OCA) DE000-*Purchased Client Services* (PCS). The area office then billed MED3000 to be reimbursed per child for the lower Title XIX rate.
- PCS included General Revenue, Title V (Maternal and Child Health Block Grant), and Title XX (Social Services Block Grant) funding sources. There was not always a dollar-for-dollar reimbursement when paying physicians $130 for Title XIX children using PCS funds and then being reimbursed from MED3000 the lower Title XIX rate. CMS Plan management is working to address this issue. CMS Plan management is revising 145-004. A recent draft of 145-004 read, "Medicaid payments to the contractor may not exceed…what Medicaid would have paid, on a fee-for-service basis, for the services actually furnished to beneficiaries."
- Both the CMS Plan and the Division of CMS expended funds using PCS funds.
- The Office of Budget and Revenue Management explained PCS funds will not be used by the Department in the future. The $130 will be supplemented only with Title V dollars, until the option for physicians to be reimbursed $130 is discontinued.
- Some of the RMDs and some other physicians were paid for Specialty Clinics through People First rather than MED3000. The People First system is the human resource information solution for state employees for attendance and leave, benefits administration, human resources management, organizational management, payroll preparation, performance management, recruiting, and reporting.
- CMS Plan management explained it is the intent all physicians will be paid through MED3000 for Specialty Clinics.

We recommend the CMS Plan reimburse all physicians for Title XIX enrolled children in Specialty Clinics at the applicable Title XIX Managed Care Plan rate.

We recommend the CMS Plan reimburse all physicians, including RMDs, who provide Specialty Clinics through MED3000.

We recommend the Office of Budget and Revenue Management permanently discontinue the use of Purchased Client Services.

3. *There were no standard written criteria to identify the need for Specialty Clinics and no written agreement to identify the terms for physicians providing Specialty Clinics.*

- The CMS Plan did not develop written criteria to determine the need for Specialty Clinics in the area offices.
- We provided **Exhibit 1** for the number of Specialty Clinics by area office for the period July 1, 2016 through September 30, 2016.
- The CMS Plan did not develop and execute a standard contract with the physicians who provided Specialty Clinics in the area offices. However, when a physician cared for a CMS Plan child in the physician's private practice, written agreements were required between the physician and the CMS Plan's ICS.

We recommend CMS Plan management develop written criteria establishing any need for a Specialty Clinic in area offices.

We recommend CMS Plan management develop and execute a standard agreement with physicians and other providers for Specialty Clinics in area offices.

4. *The CMS Plan did not reimburse all providers of Specialty Clinics through its third-party administrator. Additionally, the area offices reimbursed providers for related travel. Travel-related data was not identifiable.*

- The CMS Plan contracted with MED3000 to administer providers' claims for services to CMS Plan children. However, area offices paid some contracted physicians and contracted RMDs for Specialty Clinics through People First rather than MED3000. CMS Plan management therefore did not have accurate data regarding the services provided to all CMS Plan children.
- All services provided to CMS Plan children should be billed and reimbursed through MED3000. The CMS Plan would then be able to capture data and verify providers were reimbursed the appropriate rate.
- CMS Plan management was revising 145-004. A recent draft explained "…all direct services to patients must be billed through the third-party administrator, including CMS Medical Directors."
- Area offices also reimbursed providers who hold Specialty Clinics for travel through MED3000 using PCS and Title V funds. Travel expenditures are not allowable using Titles XIX or XXI.
- Some area offices recorded travel in GoTravel, the Department's automated travel authorization, expense, and reimbursement solution, rather than MED3000.
- CMS Plan management explained reimbursing providers for travel will be discontinued. However, a recent draft of 145-004 explained "[e]ffective January 1, 201[7], a provider must have an approved Rate Exception Form…" CMS management explained exceptions will only be granted if there is a service provided and funded by Title V.
- We were unable to test the accuracy of travel reimbursement because the data was indiscernible in MED3000.

We recommend CMS Plan management require all claims be billed and paid through MED3000.

We recommend CMS Plan management develop a process in MED3000 and any subsequent system to identify travel reimbursed to providers, as approved on an exception basis, who hold Specialty Clinics. The identity of the funding source funds should also be discernable. Travel should not be reimbursed using Title XIX or XXI funds.

5. *CMS Plan management was unable to identify nutritionists in area offices, and related expenditures.*

- HCMSP 145-001-14, *Children's Medical Services Network Health, Scope and Services*, did not identify nutrition services as a service covered under the CMS Plan.
- There was no centralized system or process to identify nutritionists in area offices. CMS Plan management surveyed the area offices to identify nutritionists for this review.
- The nutritionists were not in FTE or OPS positions. They were paid through MED3000.
- CMS Plan management was unable to identify specific payments made to nutritionists. CMS Plan management was in the process of executing a new contract with MED3000 which included adding fields in the system to include Safety Net and Title V funding sources. CMS Plan management explained once accomplished, all nutritionists will be funded with Safety Net and/or Title V dollars.

We recommend CMS Plan management ensure MED3000 and any subsequent system identify all funding sources separately and the types of services provided, including nutritionists.

6. *Results from RMS were not always correct or timely updated.*

- The Department uses a RMS software solution to generate a sample and collect the resulting percentage of time medical care coordinators, nurses and social workers in area offices worked on Titles XIX and XXI, and Safety Net cases. The resulting percentages are applied to certain allowable direct and indirect salary-related expenditures.
- While area office staff were sampled for the percentage of time worked on Safety Net cases, the percentage was not applied to Safety Net funds. This was also not addressed in HCMSP 145-203-16, *Safety Net Financial Eligibility & Services*.
- The list of staff to be input into RMS for sampling was not timely and accurately updated so area office staff were sampled and reported under a current position.
    - Five area office staff we tested provided responses to RMS for positions previously or never held.
    - One response was made to RMS in October 2016 although the person separated from the Department January 1, 2016. Presumably someone else responded under that position number.

We recommend CMS Plan management develop criteria for, and apply the percentage of time area office staff work on Safety Net cases to available Safety Net funds.

We recommend CMS Plan management ensure the list of area office staff be timely updated so staff are sampled and reported under current positions.

7. *The Office of CMS Managed Care Plan did not have a single repository for Business Associate Agreements with its providers.*

- DOHP 50-10.7-16, Information Security and Privacy Policy 7, *Contract Providers and Business Associates*, requires that each contract provider accessing protected health information must have a Business Associate Agreement with the Department.
- There was no single repository to ensure each CMS Plan provider had a signed Business Associate Agreement. CMS Plan management recently advised regional offices to ensure local compliance but CMS Plan management did not yet have copies of all agreements.

We recommend CMS Plan management pursue and complete a central repository for Business Associate Agreements with its providers.

8. *Organizational Codes for CMS Plan employees were not timely updated.*

- The Bureau of Personnel and Human Resource Management (Personnel) did not reclassify the organizational codes for the Office of CMS Managed Care when it was organizationally separated from the Division of CMS. As of the December 31, 2016 *Workforce Inventory Report*, the CMS Plan was reporting only four FTEs.
- Personnel was working with the Department of Management Services to move the positions from the Division of CMS to the CMS Plan.

- DOHP 60-7-13, *Classification*, explains it is Department policy the "servicing human resource office will maintain complete, accurate, and up-to-date records of classification actions taken on positions located in organizational units for which they have responsibility."

We recommend the Bureau of Personnel and Human Resource Management complete the re-designation of CMS Managed Care Plan personnel to the correct Organizational Code.

SUPPLEMENTAL INFORMATION

Section 20.055, *Florida Statutes,* charges the Department's Office of Inspector General with responsibility to provide a central point for coordination of activities which promote accountability, integrity, and efficiency in government.

Mark H. Boehmer, CPA, Director of Auditing, conducted the review under the supervision of James D. Boyd, CPA, MBA, Inspector General.

Our methodology included interviewing management and staff at Central Office. We inspected the West Palm Beach Area Office and reviewed network and IT resources data in other area offices. We reviewed applicable laws, rules, policies and procedures. We analyzed data including but not limited to MED3000, People First, Florida Accounting Information Resource (FLAIR), and supporting documentation as necessary.

We made CMS Plan management aware of issues we identified related to information security controls in a separate report. That report is classified as exempt from public records pursuant to Section 282.318(4)(g), *Florida Statutes*, and is labeled **CONFIDENTIAL**. That report is not available for public distribution and was disclosed only to individuals appropriate to the activity reviewed.

This project was not an audit, as industry-established auditing standards were not applied. Internal Audit Unit procedures for the performance of reviews were followed and used during this project.

We want to thank management and staff in the Department's Office of CMS Managed Care Plan, the Division of CMS, and staff in the West Palm Beach CMS Managed Care Plan Area Office for the information and documentation they provided, and for their cooperation throughout the review.

CONTACT INFORMATION

Final reports are available on our website at: **www.floridahealth.gov**
(Search: internal audit)

If you have questions or comments related to the information provided in this report, please contact the Director of Auditing, Florida Department of Health by the following means:

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EXHIBIT 1

Area Office	Number of Specialty Clinics July 1, 2016 through September 30, 2016
Daytona Beach	31
Fort Lauderdale	19
Fort Myers	8
Fort Pierce	29
Lakeland	10
Orlando	79
Panama City	16
Pensacola	19
Sarasota	17
St. Petersburg	18
Tallahassee	59
Tampa	25
Viera	31
West Palm Beach	38
Total Specialty Clinics	**399**

APPENDIX A: MANAGEMENT RESPONSE

	Recommendation	Management Response
1	We recommend the Department consider reorganizing staff who work in area offices to report to FTEs who report directly to the CMS Plan management at Central Office. Such a reorganization would improve accountability over necessary controls.	We concur. Pursuant to Chapter 391, F.S., "Each Children's Medical Services area office shall be directed by a physician licensed under chapter 458 or chapter 459 who has specialized training and experience in the provision of health care to children." The Department must also meet the obligations of the CMS Plan in Chapter 409, F.S. and pursuant to contract FP031 between the Department and the Agency for Health Care Administration (AHCA). Positions are funded for CMS Plan, Title XIX and XXI activities only. The Department will comply with statutes and meet the need for CMS area offices to be directly accountable to the Director for the Medicaid and Kid Care health plan functions pursuant to Chapter 409, F.S. and Contract FP031 between the CMS and AHCA. To accomplish this, the Office of the CMS Managed Care Plan will present a Plan structuring the regional and area offices to provide for both physician direction and reporting of the Regional Nursing Directors and Regional Program Administrators up to the Director of the Office of the CMS Plan and Specialty Programs who is also the Chief Executive Officer of the CMS Plan. As of August 2014, medical utilization review and physician direction is additionally managed pursuant to Contract FP031 and DOH CMS contracts with vendors, Ped-I-Care and Community Care Plan. The physicians employed by these organizations on behalf of the Department, along with the CMS Plan Chief Medical Officer, directly deliver "physician direction" to the CMS Managed Care Plan. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Anticipated Completion Date:* December 31, 2017

	Recommendation	Management Response
2.1	We recommend the CMS Plan reimburse all physicians for Title XIX enrolled children in Specialty Clinics at the applicable Title XIX Managed Care Plan rate.	We concur. Chapter 391, F.S. states, "The department shall reimburse health care providers for services rendered through the Children's Medical Services network using cost-effective methods, including, but not limited to, capitation, discounted fee-for-service, unit costs, and cost reimbursement. Medicaid reimbursement rates shall be utilized to the maximum extent possible, where applicable." The Department corrected the clouded identity of the funding sources through a CMS Plan third party administrator (TPA, MED3000) vendor system change. Title XIX provider payments are made through MED3000. Provider rates for up to 120 providers in CMS operated clinics are paid using state general revenue to ensure access to care for identified services for medically complex children. Effective in 2017, this is clearly identified as a separate line of business in MED3000. As DOH CMS meets the goal of an improved health delivery system through a contracting model scheduled for implementation on or before January 2019, the CMS Plan contracting model will be adjusted to pay above the Medicaid fee-for-service schedule currently required. Then, specialty providers required to ensure access to care may be paid the applicable Title XIX MCP rate. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Anticipated Completion Date:* January 1, 2019
2.2	We recommend the CMS Plan reimburse all physicians, including RMDs, who provide Specialty Clinics through MED3000.	We concur. Requirements permit OPS employees to provide direct care. In instances where the transition from an OPS physician employment arrangements to deliver direct care will potentially impede access to specialty services to medically complex children, these arrangements may be maintained. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Anticipated Completion Date:* July 1, 2017

	Recommendation	Management Response
2.3	We recommend the Office of Budget and Revenue Management permanently discontinue the use of Purchased Client Services.	We concur. The OCA used for PCS has been placed in delete status in the FLAIR Title File and in inactive status in the Department's *OCA Management System*. All expenditures in the OCA PCS in General Revenue and Donations Trust Fund have been moved. All Budget Allotments in PCS have been removed in General Revenue and Donations Trust Fund. All FLAIR Expansion Options with the OCA for PCS have been placed in delete status in the FLAIR Expansion Option File. The Office of Budget and Revenue Management will continue to monitor FLAIR Title File, Expansion Option File and Expenditures to ensure there is no use of the OCA Purchased Client Services. *Contact:* Ty Gentle, Interim Director Office of Budget & Revenue Management *Completed*
3.1	We recommend CMS Plan management develop written criteria establishing any need for a Specialty Clinic in area offices.	We concur. Required CMS Specialty Clinic criteria has been established. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Completed*
3.2	We recommend CMS Plan management develop and execute a standard agreement with physicians and other providers for Specialty Clinics in area offices.	We concur. A standard agreement for providing services for the CMS Managed Care Plan exists. The Office will ensure all CMS Specialty Clinic providers have an agreement in place. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Anticipated Completion Date:* September 29, 2017
4.1	We recommend CMS Plan management require all claims be billed and paid through MED3000.	We concur. Requirements permit OPS employees to provide direct care. In instances where the transition from an OPS physician employment arrangement to deliver direct care will potentially impede access to specialty services to medically complex children, these arrangements may be maintained. Prior to April 2017, thirteen providers were reported by regional offices as paid OPS to provide direct care. The number that will transition to reimbursement through MED3000 effective July 1, 2017 will be available, as the negotiations with providers are in progress. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Anticipated Completion Date:* July 1, 2017

	Recommendation	Management Response
4.2	We recommend CMS Plan management develop a process in MED3000 and any subsequent system to identify travel reimbursed to providers, as approved on an exception basis, who hold Specialty Clinics. The identity of the funding source funds should also be discernable. Travel should not be reimbursed using Title XIX or XXI funds.	We concur. A transportation line of business was implemented in MED3000 for approved exceptions. The transportation reimbursement is now identified by submission of claims utilizing the billing code A0170. Travel is not reimbursed using Title XIX or XXI funds. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Completed*
5	We recommend CMS Plan management ensure MED3000 and any subsequent system identify all funding sources separately and the types of services provided, including nutritionists.	We concur. The CMS Plan management is implementing a system to identify all funding sources separately and the types of services provided, including nutritionists. The MED3000 edit for nutritionists is scheduled for July 1, 2017. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Anticipated Completion Date:* July 1, 2017
6.1	We recommend CMS Plan management develop criteria for, and apply the percentage of time area office staff work on Safety Net cases to available Safety Net funds.	We concur. Criteria for applying the percentage of time area office staff work on Safety Net cases to available Safety Net funds is in place. Training and compliance needs to be completed with CMS area office staff. An RMS program manager will be hired to accomplish this. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Anticipated Completion Date:* August 31, 2017
6.2	We recommend CMS Plan management ensure the list of area office staff be timely updated so staff are sampled and reported under current positions.	We concur. Training and compliance needs to be completed with CMS area office staff. An RMS program manager will be hired to accomplish this. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Anticipated Completion Date:* August 31, 2017
7	We recommend CMS Plan management pursue and complete a central repository for Business Associate Agreements with its providers.	We concur. A central repository has been created for Business Associate Agreements with providers. The Office is in the process of transferring all agreements to this repository. *Contact:* Cheryl Young, Director Office of CMS Managed Care Plan & Specialty Programs *Anticipated Completion Date:* July 31, 2017

	Recommendation	Management Response
8	We recommend the Bureau of Personnel and Human Resource Management complete the re-designation of CMS Managed Care Plan personnel to the correct Organizational Code.	We concur. New organizational codes were established by the Bureau of Personnel and Human Resource Management for the CMS Managed Care Plan. A "mass load" was sent to the Department of Management Services to implement the changes on both the position and employee sides of People First. All changes are now made. *Contact:* Amy Graham, Chief Bureau of Personnel and Human Resource Management *Completed*