

Office of the Auditor General

Follow-Up Report on Prior Audit Recommendations

Medicaid Home Help Program

Michigan Department of Health and Human Services

November 2024

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The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



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Report Summary

Follow-Up Report

Medicaid Home Help Program (HHP)

Michigan Department of Health and Human Services (MDHHS)

Report Number:
391-0708-19F

Released:
November 2024

We conducted this follow-up to determine whether MDHHS had taken appropriate corrective measures in response to the material condition noted in our December 2020 audit report.

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
Finding 1 - Material condition Monitoring of provider invoices needs improvement. Agency agreed.	Partially complied	Reportable condition exists. See <u>Finding 1</u> .	Agrees

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Auditor General

November 8, 2024

Elizabeth Hertel, Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Director Hertel:

This is our follow-up report on the material condition (Finding 1) and corresponding recommendation reported in the performance audit of the Medicaid Home Help Program, Michigan Department of Health and Human Services. That audit report was issued and distributed in December 2020. Additional copies are available on request or at audgen.michigan.gov.

Your agency provided the preliminary response to the follow-up recommendation included in this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

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INTRODUCTION, PURPOSE OF FOLLOW-UP, AND PROGRAM DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the material condition* (Finding 1) and corresponding recommendation reported in our performance audit* of the Medicaid Home Help Program (HHP), Michigan Department of Health and Human Services (MDHHS), issued in December 2020.

PURPOSE OF FOLLOW-UP

To determine whether HHP had taken appropriate corrective measures to address our corresponding recommendation.

PROGRAM DESCRIPTION

MDHHS administers HHP, which allows Medicaid beneficiaries to receive personal care services in their homes.

To qualify as an HHP client, an individual must be an active Medicaid beneficiary; obtain a certification of medical need from a Medicaid-enrolled medical professional (e.g., a physician); and have a need for personal care services based on a comprehensive assessment of the client's ability to perform activities of daily living (ADLs) and instrumental activities of daily living (IADLs). To be approved for services, the MDHHS adult services worker (ASW) completing the client's comprehensive assessment must indicate a functional need for at least 1 ADL of 3 or higher on a five-point scale, with 1 being independent and 5 being dependent. The ASW allocates time for each task assessed at a 3 or higher based on the average time and frequency required for its completion.

ADL eligible services are limited to eating, toileting, bathing, grooming, dressing, transferring, and mobility. IADL eligible services are limited to medication, meal preparation, shopping, laundry, and light housework. Also, clients whose diagnoses or conditions require more management are eligible for complex care services, such as colostomy care, suctioning, range of motion, and wound care. Based on the comprehensive functional assessment, the ASW determines the client's level of need, identifies specific services, and preauthorizes individual and agency providers' monthly payment amounts in the Michigan Adult Integrated Management System (MiAIMS). The Community Health Automated Medicaid Processing System (CHAMPS) is the electronic system that processes all Medicaid provider encounters.

* See glossary at end of report for definition.

PRIOR AUDIT FINDING AND RECOMMENDATION; AGENCY PLAN TO COMPLY; AND FOLLOW-UP CONCLUSION, RECOMMENDATION, AND AGENCY PRELIMINARY RESPONSE

FINDING 1

Audit Finding Classification: Material condition.

Summary of the December 2020 Finding:

MDHHS did not monitor HHP provider invoices to help ensure that HHP payments were supported, were properly approved, and accurately reflected the services provided. MDHHS overpaid 43.1% of the payments that we reviewed, resulting in our projection of overpayments totaling \$39.4 million (\$13.9 million General Fund/general purpose) during the 2-year audit period.

Our review of 232 HHP payments made to 119 providers, totaling \$204,240, on behalf of 125 clients noted:

- a. MDHHS overpaid 100 (43.1%) provider payments by \$22,337, including:
 - 42 payments to individual providers in which the payment amount exceeded the actual cost of the services provided by a total of \$4,520.
 - 46 payments to agency providers in which the payment amount exceeded the cost of the services documented by a total of \$16,931.
 - 12 payments to individual or agency providers in which the payment amount exceeded the eligible cost of the services provided by a total of \$886.
- b. MDHHS's adult services supervisors did not approve 57 (24.6%) payments issued solely to agency providers, totaling \$25,417. MDHHS's Adult Services Manual* (ASM) Section 140 required an adult services supervisor to approve all single party payments.

Recommendation Reported in December 2020:

We recommended that MDHHS improve its monitoring to help ensure that invoices are supported, are properly approved, and accurately reflect the HHP services provided.

AGENCY PLAN TO COMPLY*

On December 14, 2021, MDHHS stated it:

- Completed a strategic planning process in August 2020 to review the HHP payment process and developed recommendations for improvements.

** See glossary at end of report for definition.*

- Will identify service review requirements to automate service review prior to payment to help ensure that providers accurately complete the HHP services log. In addition, MDHHS has started planning for the development of the federally required Electronic Visit Verification system which will aid development of a service review system.
- Released new policy in October 2019 requiring all agencies to use a standardized agency invoice to provide consistency in documentation and to capture sufficient detail to support agency payments. All invoices are reviewed by an ASW before a payment authorization is completed.
- Released a mandatory training on proration of IADLs in shared living arrangements in September 2020.
- Provided additional training to adult services supervisors on case monitoring and proper documentation for IADLs in shared living arrangements in October 2020. In addition, reviews have been completed on all cases with shared living where IADLs were not prorated to determine accuracy and proper documentation.
- Updated HHP policy in June 2020 to clarify that supervisor approval for single-party checks paid to agency providers is not required.

FOLLOW-UP CONCLUSION

Partially complied. A reportable condition* exists.

We reviewed case files and supporting payment documentation for 40 HHP payments totaling \$33,625 made to individual and agency providers on behalf of clients.

- a. We noted MDHHS overpaid 4 (10%) provider payments by \$367, including:
 - 1 payment to an individual provider in which the payment amount exceeded the actual amount of the services provided by a total of \$47. MDHHS's ASM Section 144 grants exceptions to individual providers to submit paper services verification (PSV) invoice forms through CHAMPS. MDHHS automatically pays the preauthorized amount upon submission of PSV invoices; however, there is not a systems edit or ASW review to verify whether all services were provided and/or whether the payment should be adjusted.
 - 2 payments to agency providers in which the payment amounts exceeded the cost of the

* See glossary at end of report for definition.

services documented by \$293. ASM Section 144 requires agency providers to submit monthly paper invoices for each month of service for approval and reimbursement. The ASW's and/or agency's invoice review did not identify the services not provided and adjust the payments accordingly.

- 1 payment to an individual provider in which the payment amount exceeded the eligible cost of the services provided by a total of \$27. ASM Section 120 requires ASWs to reduce payments for IADL assessed hours by 50% when the client is in a shared living arrangement with other adults who reside in the home, unless the IADLS are completed separately from others who reside in the home. In this instance, MDHHS indicated the ASW did not clearly document in MiAIMS that the IADLs for the eligible client were completed separately from others in the home to justify no proration of IADL hours.

- b. MDHHS updated its Home Help policy and discontinued the requirement for supervisor approval for single-party checks paid to agency providers. As a result, this part of the prior audit finding is no longer applicable.

Beginning April 1, 2022, MDHHS improved its CHAMPS electronic services verification (ESV) to pay individual providers only for tasks completed and travel time checked on ESV.

Although the dollar amounts of the errors are relatively small, we noted errors in 10% of our sampled cases, resulting in projected overpayments totaling \$2.4 million (\$857,891 General Fund/general purpose) from October 1, 2023 through February 29, 2024. We consider this finding a reportable condition based on the 10% error rate and projected overpayments, which represented 1.1% of the approximately \$224.2 million paid to providers for HHP services during this time period.

While we acknowledge MDHHS's improvement from a 43% error rate and 6.1% projection of overpayments in the prior audit, further improvement is needed to help reduce the risk of improper payments and avoid questioned costs in future single audits*.

FOLLOW-UP RECOMMENDATION

We recommend MDHHS continue to improve its monitoring to help ensure invoices are supported and accurately reflect the HHP services provided.

* See glossary at end of report for definition.

**FOLLOW-UP
AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

MDHHS agrees that continuous monitoring is necessary to ensure invoices are supported and accurately reflect the HHP Services provided. The following actions will be taken to strengthen the Department's monitoring efforts:

- *MDHHS is in the process of implementing the federally required Electronic Visit Verification (EVV) system, which will be used to electronically verify whether providers delivered or rendered services as billed and will replace Electronic Service Verification, Paper Service Verification and Agency invoices in February 2025.*
- *MDHHS will complete a targeted read that includes shared living arrangements by May 2025 to determine accuracy and proper documentation. If cases are identified where services have not been reduced by 50% and are not adequately documented to support full reimbursement, the case will be reduced as required by ASM 120.*
- *MDHHS will re-issue the Prorating IADLs in Shared Living Arrangements Home Help Job Aid to Adult Services Staff and reiterate to staff the importance of providing adequate documentation in case files to support a full IADL payment where necessary during staff meetings by January 31, 2025.*

FOLLOW-UP METHODOLOGY, PERIOD, AND AGENCY RESPONSES

METHODOLOGY

We reviewed HHP's corrective action plan and updated policies and guidance. Also, we:

- Interviewed HHP management and reviewed MDHHS policies and HHP provider payment rates to obtain an understanding of HHP's procedures for properly calculating and authorizing HHP payments.
- Randomly selected 40 of the 293,363 HHP payments from October 1, 2023 through February 29, 2024 and determined whether:
 - The hourly rate matched the established provider type hourly rate.
 - The amount paid exceeded the preauthorized maximum amount.
 - The invoice supporting the payment provided sufficient detail of the days that each service was provided.
 - All authorized services were provided.
 - The payment was appropriately approved in accordance with MDHHS policy.
 - IADL services were appropriately prorated, when applicable.

We randomly selected the HHP payments to eliminate bias and enable us to project the results to the population.

PERIOD

Our follow-up generally covered October 1, 2023 through February 29, 2024.

AGENCY RESPONSES

Our follow-up report contains 1 recommendation. MDHHS's preliminary response indicates it agrees with the recommendation.

The agency preliminary response to the follow-up recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

GLOSSARY OF ABBREVIATIONS AND TERMS

ADL	activity of daily living (i.e., eating, toileting, bathing, grooming, dressing, transferring, and mobility).
Adult Services Manual (ASM)	A policy manual developed by MDHHS.
agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.
ASW	adult services worker.
CHAMPS	Community Health Automated Medicaid Processing System.
ESV	electronic services verification.
HHP	Medicaid Home Help Program.
IADL	instrumental activity of daily living (i.e., medication, meal preparation, shopping, laundry, and light housework).
material condition	A matter, in the auditor's judgment, which is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MDHHS	Michigan Department of Health and Human Services.
MiAIMS	Michigan Adult Integrated Management System.

performance audit	An audit which provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
PSV	paper services verification.
reportable condition	A matter, in the auditor's judgment, less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
single audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance, which is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a single audit requires the assessment of compliance with requirements potentially having a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with the Uniform Guidance.



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