

Audit faults schools' records

Medicaid spending woes could cost \$12.2 million; 'Frequent incidences of billing error'; Money is earmarked for special-ed students

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Record-keeping problems could cost Baltimore's school system at least \$12.2 million - and perhaps millions more - as federal auditors examine the spending of Medicaid dollars earmarked for special-education students.

The \$12.2 million represents about half of the \$24 million in Medicaid money the city schools received in the 1999-2000 school year for services such as speech and physical therapy. Federal auditors had problems proving that the services were provided and the people who provided the services were qualified to do so.

The auditors plan to examine four additional years of records, and if they are found lacking, the city schools could be liable for millions more.

The city schools were not alone in their problems with Medicaid money. Four other school systems and the state are being held accountable for \$7.7 million.

The problems arose after federal auditors looked at the eight Maryland school systems that received the largest amounts of Medicaid money. In addition to Baltimore, they found problems in Anne Arundel, Baltimore, Prince George's and Wicomico counties.

The federal government is seeking a total of \$19.9 million from the state and the five school systems. But it has announced plans to audit additional years of records only in Baltimore City.

Though the federal government released its audit of the systems' records in 2003, state and federal officials sparred over the auditors' methodology for months before the federal government last month ordered the money repaid.

The federal auditors found problems with 61 percent of records reviewed in Baltimore, compared with 15 percent in Baltimore County, 8 percent in Anne Arundel County, 3 percent in Wicomico County and fewer than 1 percent in Prince George's County. Records were also reviewed, but no problems were found, in Allegany, Harford and Montgomery counties.

State education officials say the problems in Baltimore are further evidence that an outside takeover of the city school system or another major overhaul of its management is needed to fix its widespread problems in special education.

On Monday, state officials made the case for a management overhaul in papers filed with U.S. District Judge Marvin J. Garbis, who oversees a 21-year-old lawsuit involving Baltimore's special-education program. The case centers on the system's difficulties providing services to students with disabilities.

"This is just one more piece," said Carol Ann Baglin, assistant state superintendent for special education.

City school officials blame the state for failing to give clear directions over the documentation they must provide for reimbursement.

Benjamin Feldman, the city school system's research, evaluation and accountability officer, said the federal auditors "just absolutely misunderstood what they were looking at" when they reviewed the city's records.

Meanwhile, Baglin said she fears the city schools could lose tens of millions of dollars more when the federal auditors return to review records from 2000 to 2004. She said the city's problems providing services to students with disabilities and accurately billing for them intensified during the 2003-2004 school year because of a financial crisis.

In the special-education lawsuit, lawyers for students with disabilities have said there was a major breakdown in providing services last school year, reversing a few years of progress. The city and the state are co-defendants in the lawsuit, filed in 1984 by the students' lawyers. The state contends that it does not have the authority to compel the city schools to improve.

Of about 15,000 students with disabilities in Baltimore, about 11,000 receive services such as speech, physical and occupational therapy, Baglin said. Eighty-five percent of city students are poor enough to qualify for Medicaid reimbursement.

Feldman said the system uses its Medicaid reimbursement money to pay for school nurses and vision, dental and other health care programs for all city students. And he said he has confidence in the quality of the system's records. When there is a problem in providing a service to a child, he said, the system does not bill Medicaid for it.

"We have made very significant improvements in internal controls since [the federal auditors] came in," he said. "We understood what they were telling us, and we really got better."

Furthermore, Feldman said, the state is appealing the federal government's decision to reclaim money from all five school systems. "They wouldn't have filed the appeal if they didn't think we were right, that we really had rendered the services and we really were doing it in good faith," he said.

Baglin said it is the state's responsibility to appeal on behalf of all its school systems, but she said the state's auditors have confirmed the federal auditors' findings in reviewing the city schools' records. She said the other school districts have problems, "but not to this degree."

In a report to the state school board yesterday, Baglin wrote that state staff members who reviewed records in Baltimore in April of this year found "continued frequent incidences of billing error." Those errors included billing for services on days when school was closed, billing for the wrong child and billing for services by unqualified staff.

The coming federal audit and the struggle over repayment comes as Garbis, the federal judge, weighs whether to grant the state more authority over the management of the city school system.

The state has proposed that Garbis order an outside "receiver" to oversee the school district in place of the local school board, or grant the state authority to intervene in most school district operations. The students' lawyers have called receivership "a viable option."

The city has vehemently defended its right to local control.

The result of the court battle has significant political implications because Baltimore Mayor Martin O'Malley is expected to enter the gubernatorial race. If he wins the Democratic nomination, he is likely to face Republican incumbent Robert L. Ehrlich Jr.

State schools Superintendent Nancy S. Grasmick is rumored to be a possible candidate for lieutenant governor on Ehrlich's ticket.