

U.S. plans to audit 20 Md. school systems

Medicaid billing records are the focus of Health and Human Services review; Action exacerbates Baltimore-state dispute

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The federal government plans to conduct a major audit of Medicaid billing records in 20 of Maryland's 24 school systems, a move that could cost the systems millions and has exacerbated a feud between State Department of Education and Baltimore City school officials.

School systems receive Medicaid reimbursement to cover part of the cost of medical services, such as speech and physical therapy, provided to special-education students from low-income families, and the cost of students' transportation to school on days they receive those services.

As the result of a previous review, covering one year of records in eight Maryland school systems, auditors have determined that six systems and the state must repay \$19.9 million in reimbursement -- a decision the state is appealing.

Last month, the auditors announced that they would return to review an additional four years of records in Baltimore, which will be responsible for repaying \$12.2 million of the \$19.9 million if the appeal is lost. Then on July 22, a federal official sent a letter to the state announcing auditors' intention to review the Medicaid billing records from 2000 to 2004 for all school systems that contract out for school-based health services, not just Baltimore. (The earlier audit covered the 1999-2000 school year.)

State officials said 19 school systems in addition to Baltimore will be affected, including Anne Arundel, Baltimore, Howard, Carroll and Harford counties. Systems that use only their own staffs to provide services will not be affected.

The affected systems will be required to produce a huge amount of paperwork, including copies of contracts, providers' certification records, documentation that a child needed a particular service, documentation that a service was provided, and documentation of how much a provider was paid.

"It's really a massive undertaking," said Carol Ann Baglin, assistant state superintendent for special education, noting that auditors spent several months on the earlier, smaller review. "It's very burdensome to retrieve all of those materials." The extent of the burden will be determined by the sample size that auditors choose.

City school officials said the expansion of the audit proves their point that the problem with Medicaid billing records is statewide.

"The state put it out there that this was a Baltimore City issue," said Benjamin Feldman, the city school system's research, evaluation and accountability officer. "It's a state accountability issue that they're looking at."

State officials, however, say they are primarily concerned about what the auditors will find in Baltimore.

"Frankly, there's no indication of billing problems in other school systems," Baglin said. "I'm not as worried about the other districts. I remain worried about Baltimore City."

She said the final year that the audit will cover was a time of "rampant instability" for Baltimore schools, which were in the midst of a financial crisis. As a result of the deterioration of services to special-education students during the financial crisis, the State Department of Education is seeking authority from a federal judge to send managers to oversee several city school departments. The goal is to address widespread problems in special education, the subject of a 21-year-old lawsuit.

The city and the state are co-defendants in the lawsuit, filed in 1984 by students' lawyers. State officials say they do not have the authority to compel city schools to improve. City problems with Medicaid billing are further evidence of incompetent management, they say.

In the earlier audit, where Baltimore was found liable for \$12.2 million, Baltimore County was told to repay \$3 million and Anne Arundel County \$1.6 million. Baltimore records represented 62 percent of the auditors' sample, which city school officials said was disproportionately high.

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

City and state officials gave vastly different descriptions of the scope of the billing problems in Maryland.

Feldman said the problem stems from the state's billing rates for reimbursement. Since the 1980s, Maryland has told its school systems to bill \$82 for each service provided -- a session of speech therapy, for example. The federal government then reimburses \$41, and the state reimburses the other \$41.

While many services cost school systems far more than \$82, sometimes a service costs less, Feldman said. And Medicaid has indicated that it will only reimburse for the actual cost of a service. The earlier audit found that Baltimore "subcontracted a significant amount of its school-based health services to private contractors at rates below what it charged the Medicaid program."

Baltimore, Feldman said, got into trouble in that audit by following state instructions to bill \$82 per service. "We only did exactly what the state told us to do, nothing else," he said. "We were really very diligent. ... There was no fraud, and there was no abuse, and there was no waste."

Baglin said the state is working with the federal government to review its billing rates, but she said that should not be of concern to school systems. She said they should be worrying about issues including whether they billed for days when children were absent, whether they billed for transportation on days when children didn't receive health-care services, and whether they have adequate documentation that providers were qualified.

The affected systems are scheduled to participate in an "entrance conference" with auditors on Tuesday.

Glenn Baly, a spokesman for the Office of Inspector General at the Department of Health and Human Services, said it is the office's policy not to comment on audits it is conducting.