Department of Health and Human Services

**OFFICE OF INSPECTOR GENERAL**

# WISCONSIN IMPROPERLY CLAIMED FEDERAL MEDICAID REIMBURSEMENT FOR MOST RESIDENTIAL CARE CENTER PAYMENTS

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## OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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## EXECUTIVE SUMMARY

### BACKGROUND

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. The Centers for Medicare & Medicaid Services (CMS) administers the program at the Federal level. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. States claim costs for Medicaid reimbursement on a quarterly basis using the Form CMS-64 (CMS-64). In Wisconsin, the Department of Health Services (State agency) administers the Medicaid program.

Prior to our audit period, the State agency contracted with a consultant to develop initiatives to target new revenues that might be available to the State. The consultant advised that, in accordance with section 1905(r)(5) of the Act, Residential Care Center (RCC) payments contain treatment services provided by youth care workers and social workers that could be claimed as "other services" under the State's Medicaid Early and Periodic Screening, Diagnostic, and Treatment program, known as HealthCheck. At that time, the State agency had not been claiming these treatment services as costs for Medicaid reimbursement. The consultant created a new Medicaid allocation methodology for claiming RCC payments that the State agency implemented in Federal fiscal year (FFY) 2005. In the first year alone, the new allocation methodology increased the RCC payments claimed for Medicaid reimbursement by $18,302,620 ($10,674,089 Federal share). During our audit period, October 1, 2004, through September 30, 2006, the State agency claimed RCC payments totaling $41,382,076 ($23,986,398 Federal share) on its quarterly CMS-64.

### OBJECTIVE

Our objective was to determine whether the State agency's claims for Federal reimbursement for RCC HealthCheck costs complied with Federal requirements.

### SUMMARY OF FINDING

Most of the State agency's claims for RCC payments under the HealthCheck program did not comply with Federal requirements. Of the $41,382,076 ($23,986,398 Federal share) that the State agency claimed on its quarterly CMS-64 for RCC payments under the HealthCheck program, $39,405,030 ($22,839,628 Federal share) was unallowable. The State agency used a cost allocation methodology that did not comply with Federal requirements. The methodology used estimates that it could not adequately support. In addition, the State claimed unsupported administrative costs as an add-on to the RCC service costs. The remaining $1,977,046 ($1,146,770 Federal share) was allowable.

## RECOMMENDATIONS

We recommend that the State agency:

- refund $22,839,628 to the Federal Government for unallowable RCC costs claimed under HealthCheck and

- work with CMS to identify payment and allocation methodologies for claiming allowable Medicaid RCC costs under HealthCheck.

## STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency did not concur with our recommendations. The State agency said that we misapplied the cost principles set forth in Office of Management and Budget Circular A-87 to question Medicaid costs, inaccurately cited the regulation at 42 CFR § 447.203 as a requirement for supporting documentation, and inappropriately considered RCC support costs as administrative costs. We maintain that our findings and recommendations are valid.

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# INTRODUCTION

## BACKGROUND

### Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. States claim costs for Medicaid reimbursement on a quarterly basis using the Form CMS-64 (CMS-64). In Wisconsin, the Department of Health Services (State agency) administers the Medicaid program.

During our audit period, 27 Residential Care Centers (RCC) throughout Wisconsin voluntarily participated in the State's Medicaid Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) program, known as HealthCheck. The RCCs are private, nongovernmental entities that provide custodial care and treatment for children, youth, and young adults. The services provided at the RCCs are performed primarily by youth care workers and social workers. In addition, a portion of the services are provided by medical professionals such as psychiatrists and psychologists.

The State agency purchases residential care services from the RCCs and reimburses these centers using daily billing rates (daily rates) that the Wisconsin Department of Children and Families establishes for each RCC. Before claiming Federal reimbursement for its purchase of these services, the State agency allocates portions of the daily rates to the following programs: Medicaid, Foster Care, Education, and State-funded.

Under Federal cost principles and Medicaid regulations, costs claimed for Medicaid reimbursement must be necessary and reasonable for proper and efficient administration of the program, must be allocable to Federal awards in accordance with relative benefits received, and must be adequately documented. States may claim reimbursement only for costs for which all supporting documentation is available at the time the CMS-64 report is submitted.

### Residential Care Center Reimbursement Methodology

In Federal fiscal year (FFY) 2005, the State began using an RCC reimbursement methodology devised by the consultant it hired to target new revenues that might be available to the State. The consultant advised that in accordance with section 1905(r)(5) of the Act, the RCC costs for treatment services provided by youth care workers and social workers could be claimed as "other services" under HealthCheck. At that time, the State agency had been excluding RCC treatment services from its allocation of RCC costs claimed for Medicaid reimbursement. The consultant developed a Medicaid reimbursement methodology for RCC costs that included two components: (1) a HealthCheck base rate for each RCC, consisting of the estimated Medicaid

portion of the RCC daily billing rate, and (2) a HealthCheck administrative rate, consisting of a fixed percentage of the RCC daily rate. The administrative rate component is intended to cover nontreatment expenses that the RCC incurred to implement and participate in HealthCheck. To determine total costs for these services when claiming Medicaid reimbursement, the State agency used both rates in its calculation; it listed these costs on the CMS-64 as "other practitioner services."

This reimbursement methodology significantly increased the dollar amount of the State agency's claims for Medicaid reimbursement for its purchase of RCC services. Specifically, the RCC costs claimed for Medicaid reimbursement in FFY 2005, the first year that the State agency implemented the methodology, increased by $18,302,620 ($10,674,089 Federal share).

Using the reimbursement methodology that its consultant developed, the State agency claimed RCC costs of $41,382,076 ($23,986,398 Federal share) for the period October 1, 2004, through September 30, 2006. Of the $41,382,076 ($23,986,398 Federal share) in RCC costs that the State agency reported to CMS, $36,246,515 ($21,009,550 Federal share) related to HealthCheck base rate costs, and $5,135,561 ($2,976,849 Federal share) related to HealthCheck administrative rate costs.

## OBJECTIVE, SCOPE, AND METHODOLOGY

### Objective

Our objective was to determine whether the State agency's claims for Federal reimbursement for RCC HealthCheck costs complied with Federal requirements.

### Scope

Our audit covered the period October 1, 2004, through September 30, 2006. During that time, the State agency claimed $41,382,076 ($23,986,398 Federal share) in RCC costs as "other practitioner services" on its CMS-64s.

Our audit objective did not require a review of the overall internal control structure of the State agency. Therefore, we limited our review of internal controls to obtaining an understanding of the State agency's reporting, compiling, and allocating of RCC costs to the Medicaid program. We looked at how HealthCheck base rates were developed, but we did not review or express an opinion on how the RCC daily rates were developed.

We performed fieldwork at the State agency's offices in Madison, Wisconsin, and Norris Adolescent Center in Mukwonago, Wisconsin.

## Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws and regulations and Wisconsin's Medicaid State plan;
- reviewed documentation that the State agency provided to document the consultant's advice on claiming RCC costs related to HealthCheck;
- held discussions with CMS and State agency officials about State policies, procedures, and guidance related to RCC reimbursement;
- traced RCC costs that the State agency submitted on the CMS-64 to its supporting schedule of billing amounts;
- analyzed the State agency's methodology for claiming RCC costs under Medicaid;
- performed substantive tests at one RCC, Norris Adolescent Center, to obtain an understanding of a typical RCC program that participated in HealthCheck and the financial data that RCCs submit to the State agency; and
- evaluated the State agency's methodology for reporting RCC payments made to 27 RCC providers participating in HealthCheck and allocating RCC costs to the Medicaid program for Federal reimbursement.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## FINDING AND RECOMMENDATIONS

Most of the State agency's claims for Federal reimbursement for RCC costs under HealthCheck did not comply with Federal requirements. Of the $41,382,076 ($23,986,398 Federal share) that the State agency claimed on its quarterly CMS-64 for RCC costs under HealthCheck, $39,405,030 ($22,839,628 Federal share) was unallowable.[1] The State agency used a cost allocation methodology that did not comply with Federal requirements. The State agency's allocation methodology used estimates that it could not adequately support. In addition, the State claimed unsupported administrative costs as an add-on to the RCC service costs. The remaining $1,977,046 ($1,146,770 Federal share) was allowable.

[1] The unallowable RCC costs were $18,302,620 ($10,674,089 Federal share) for FFY 2005 and $21,102,410 ($12,165,539 Federal share) for FFY 2006.

## FEDERAL REQUIREMENTS

Section 1903(a)(1) of the Act authorizes Federal payment to the States of an amount equal to the Federal medical assistance percentages[2] of the total amount expended during a quarter as medical assistance under an approved State plan. To receive these payments, a State agency must report these costs in accordance with Federal regulations and guidance, the CMS *State Medicaid Manual*, section 2500.2, and Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (relocated to 2 CFR part 225), Appendix A, section C.

Federal regulations (42 CFR § 447.203) require the State to maintain documentation for payment rates and make it available to the Department of Health and Human Services (HHS) on request. Pursuant to the CMS *State Medicaid Manual*, section 2500.2(A), the State must report only expenditures for which all supporting documentation, in readily reviewable form, has been compiled and is immediately available when the claim is filed. OMB Circular A-87 (2 CFR part 225), Appendix A, section C(1), states that allowable costs must be necessary and reasonable for proper and efficient administration of the program, be allocable to Federal awards, and be adequately documented. Under Appendix A, section C(3)(a), costs are allocable to Medicaid in accordance with the relative benefits received by the Medicaid program.

CMS issued a "State Medicaid Director Letter" to the State agency on December 20, 1994. In that letter, CMS outlined allowable administrative costs that may be claimed separately from service costs. In accordance with CMS policy, States may not include the overhead costs of operating a provider facility as a separate administrative cost. Because Medicaid providers have agreed to accept service payment as payment in full, such providers may not claim an additional cost as an administrative cost under the State plan.

## MOST HEALTHCHECK BASE RATE COSTS CLAIMED WERE UNALLOWABLE

We determined that $34,269,469 ($19,862,780 Federal share)[3] of the HealthCheck base rate costs claimed by the State agency on its CMS-64 was unallowable. The State agency calculated the base rate portion of RCC service costs using a cost allocation methodology that did not comply with Federal requirements. Using financial reports submitted by the RCCs, the State estimated the costs allocable to Medicaid for each RCC cost category, including salaries. The total of RCC costs allocated to Medicaid was then divided by the total costs reported by the RCC for all services furnished, resulting in an estimated Medicaid percentage that was applied to each RCC's daily rate. This Medicaid percentage (the HealthCheck base rate) was used to determine the proportion of the RCC's daily rate that was claimed for Medicaid reimbursement. A large part of the Medicaid percentage for each RCC was based on estimates of the proportion of salary costs for youth care workers and social workers that were incurred in furnishing HealthCheck

[2] The amount that the Federal Government reimburses to State Medicaid agencies, known as Federal financial participation or Federal share, is determined by the Federal medical assistance percentage (FMAP). The FMAP is a variable rate that is based on a State's relative per capita income.

[3] The unallowed base HealthCheck costs claimed were $15,885,124 ($9,264,205 Federal share) in FFY 2005 and $18,384,345 ($10,598,575 Federal share) in FFY 2006.

services. The State agency could not adequately support the estimates of salary costs that were allocated to Medicaid. We removed those unsupported estimates from the State agency's calculation of the HealthCheck base rate and recalculated the allowable Medicaid percentage. We then applied the corrected percentage to RCC costs claimed by the State agency on its CMS-64. (See Appendix A.)

The State agency relied on its consultant's advice in determining the percentage of RCC salary costs to allocate to the Medicaid program without validating whether the estimates the consultant used were reasonable and relevant to Wisconsin RCCs. The salary costs for youth care workers and social workers were the two largest cost categories at each RCC. The consultant estimated that for all RCCs participating in HealthCheck, 80 percent of youth care workers' and 75 percent of social workers' salary costs were allocable to Medicaid. These two estimates accounted for approximately 90 percent of the costs allocated to Medicaid and used to calculate the Medicaid percentage. However, the State agency's support for these estimates did not comply with OMB Circular A-87 cost principles for documenting and allocating costs or with Medicaid requirements that payment rates and expenditures be adequately documented.

To support its Medicaid allocation estimates of 80 percent and 75 percent of RCC salary costs, the State agency provided us with the following information:

- a timestudy the consultant performed in Texas for a different Federal program and timeframe;

- a statement of the consultant's work experience in states other than Wisconsin;

- a statement that the consultant had held informal interviews with staff at 7 of 27 Wisconsin RCCs, but no evidence to indicate which staff members were interviewed and how they responded;

- a statement that select RCC job descriptions were reviewed, but no evidence to indicate the number, type, or summary of job descriptions reviewed, such as identification of the responsibilities for each job description; and

- a statement that services included in individual plans of care prepared by select RCCs were reviewed, but no evidence to indicate the number and type of services identified in these plans of care.

The information that the State agency provided us did not adequately support its estimates of the portion of RCC salary costs that were incurred in furnishing Medicaid services.

## HEALTHCHECK ADMINISTRATIVE RATE COSTS CLAIMED WERE UNALLOWABLE

We determined that $5,135,561 ($2,976,849 Federal share)[4] of the administrative rate costs claimed by the State agency on its CMS-64 as "other practitioner services" was unallowable. These administrative costs were calculated using an unsupported estimated 8-percent factor that was applied to each daily rate. The HealthCheck administrative rate was multiplied by the number of resident days to determine the administrative costs claimed for each RCC. We removed the unsupported estimate of 8 percent of the daily rate from the HealthCheck service costs claimed by the State agency and recalculated the HealthCheck costs minus the unallowable administrative costs claimed by the State agency. (See Appendix A.)

These claims for administrative costs did not comply with the requirements of OMB Circular A-87 because the State agency had no support for the 8-percent factor it added to the HealthCheck service costs claimed for Medicaid reimbursement. Also, contrary to OMB Circular A-87, the State agency applied the 8-percent factor to daily rates paid by the State for RCC services that benefited both Medicaid and non-Medicaid programs. Even if these separate administrative costs are adequately supported, we question whether they are allowable under CMS's claiming policy as set forth in its December 20, 1994, State Medicaid Director letter. Because Medicaid service providers agree to accept Medicaid service payment as payment in full, RCCs should not be paid an additional amount as an administrative cost under the Medicaid program.

## RECOMMENDATIONS

We recommend that the State agency:

- refund $22,839,628 to the Federal Government for unallowable RCC costs claimed under HealthCheck and

- work with CMS to identify payment and allocation methodologies for claiming allowable Medicaid RCC costs under HealthCheck.

## STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency did not concur with our recommendations. The State's nonconcurrence was based on its opinion that we misapplied the cost principles set forth in OMB Circular A-87 to question Medicaid costs, inaccurately cited the regulation at 42 CFR § 447.203 as a requirement for supporting documentation, and inappropriately considered the RCC support costs as administrative costs. We disagree with the State agency's comments, and we maintain that our findings and recommendations are valid. The State agency's comments are included in their entirety as Appendix B.

[4] The unallowable administrative RCC HealthCheck payments claimed were $2,417,497 ($1,409,884 Federal share) in FFY 2005 and $2,718,065 ($1,566,965 Federal share) in FFY 2006.

**Office of Management and Budget Circular A-87**

*State Agency Comments*

The State agency said that OMB Circular A-87 does not apply to the State's development of payment rates for Medicaid services provided by RCCs. The State agency's position was that we fundamentally misunderstood Wisconsin's RCC Medicaid payment methodology by perceiving that it is based on cost reimbursement rather than maximum fee. The State agency said that OMB Circular A-87 applies to determining allowable costs incurred in administering Medicaid but does not apply to Medicaid payment rates for Medicaid covered services. The State agency concluded that the disallowance of FFP for the RCC base rate was unfounded because OMB Circular A-87 is not applicable.

*Office of Inspector General Response*

We did not apply OMB Circular A-87 cost principles to question the State's development of RCC payment rates. Rather, we examined the allocation method that the State used to determine what percentage of the RCC per diem payment should be claimed for FFP on the CMS-64. These RCC payment rates reimburse services furnished by RCCs to individuals under multiple programs, including Medicaid, Foster Care, Education, and State-funded programs. What the State agency calls the Medicaid "base rate" is actually the State's estimate of the percentage of the RCC payment that could be allocated to Medicaid and not one of the other programs. Therefore, under such circumstances OMB Circular A-87 cost principles do apply in determining whether the costs claimed were reasonable and allocated to Medicaid according to the benefits received. Our review focused on the evidence the State agency presented to demonstrate that it had incurred Medicaid costs for the estimated percentage of the RCC payments it charged to Medicaid. The State agency could not support its estimates of the Medicaid costs it claimed.

**Regulation at 42 CFR Section 447.203**

*State Agency Comments*

The State agency said that we erroneously paraphrased 42 CFR § 447.203 in establishing a legal foundation that payment rates must be documented and supported. The State agency said that the regulation requires only that the State maintain documentation ***of*** payment rates rather than ***for*** payment rates and make it available to HHS on request. The State agency considered the distinction between the words ***of*** and ***for*** very important, because it claimed that it complied with the regulation when it provided us with a description ***of*** how it calculated the rates. The State agency agreed that a State must maintain documentation of its "actual expenditures" for Medicaid covered services.

*Office of Inspector General Response*

We disagree that the State agency maintained adequate documentation of the payment rates related to services provided by RCCs. In accordance with 42 CFR § 447.201(b), the State Medicaid plan must describe the policy and methods to be used in setting payment rates for each

type of service in the State's Medicaid program, and under 42 CFR § 447.203, it must maintain documentation of those payment rates. The Wisconsin State Plan provides only that the State will establish "maximum allowable fees" for EPSDT services furnished by RCCs.

We did not find a policy or method that the State used to calculate maximum fees for EPSDT services furnished by RCCs. Rather, we found that the State agency established a per diem rate to cover all the RCC providers' costs for multiple programs and then estimated the percentage of that rate that represented Medicaid expenditures. We examined whether those estimates were supported by documentation and found that the State agency failed to provide sufficient documentation of actual expenditures for Medicaid costs that were claimed as a percentage of the RCC payment rate.

**Residential Care Center Support Costs**

*State Agency Comments*

The State agency said that we improperly considered the support rate component costs as administrative costs. The State agency claimed that the "support rate" component of the Medicaid payment was claimed as medical assistance and not as a cost of Medicaid administration. Therefore, the State agency disagreed that we had established any basis for disallowing RCC support rate payments claimed for FFP.

*Office of Inspector General Response*

We disagree with the State agency's opinion that the Medicaid "support rate" may be claimed as a separate medical assistance cost and added to the "base rate" paid for RCC services. The CMS State Medicaid Director letter says that the payment rate for service costs should include the provider's overhead and other administrative costs related to furnishing the service. Our review showed that the calculation of the RCC payment rates included reimbursement for both salaries and administrative costs such as operating expenses and maintenance costs. A percentage of RCC per diem payment was then allocated to Medicaid. Therefore, the RCCs would be properly reimbursed for support costs under the RCC per diem rate, and the State should not claim additional overhead costs to Medicaid.

# APPENDIXES

# WISCONSIN'S TOTAL RESIDENTIAL CARE CENTER COSTS ALLOCATED TO MEDICAID

| RCC Facility/Program | RCC Facility | October 2004 - September 2005 Claimed | October 2004 - September 2005 Allowable | October 2004 - September 2005 Questioned | October 2005 - September 2006 Claimed | October 2005 - September 2006 Allowable | October 2005 - September 2006 Questioned | Totals - Federal Fiscal Years 2005 & 2006 Claimed | Totals - Federal Fiscal Years 2005 & 2006 Allowable | Totals - Federal Fiscal Years 2005 & 2006 Questioned |
|---|---|---|---|---|---|---|---|---|---|---|
| Benet Lake C&AT Ctr | 1 | $ - | $ - | $ - | $ 95,802 | $ 4,376 | $ 91,426 | $ 95,802 | $ 4,376 | $ 91,426 |
| Eau Claire Acad.-STOP | 2A | $ 223,259 | $ 10,733 | $ 212,526 | $ 225,206 | $ 9,682 | $ 215,524 | $ 448,465 | $ 20,415 | $ 428,050 |
| Eau Claire Academy | 2B | $ 2,061,568 | $ 109,339 | $ 1,952,229 | $ 2,128,840 | $ 99,482 | $ 2,029,358 | $ 4,190,408 | $ 208,821 | $ 3,981,587 |
| Eau Claire Acd-Dewey | 2C | $ 17,758 | $ 32 | $ 17,726 | $ 90,839 | $ 2,482 | $ 88,357 | $ 108,597 | $ 2,514 | $ 106,083 |
| Family & Children's Ctr | 3 | $ 446,623 | $ 27,867 | $ 418,756 | $ 430,624 | $ 21,232 | $ 409,392 | $ 877,247 | $ 49,099 | $ 828,148 |
| Family Services | 4 | $ 978,293 | $ 63,029 | $ 915,264 | $ 912,087 | $ 47,027 | $ 865,060 | $ 1,890,380 | $ 110,056 | $ 1,780,324 |
| Homme Y&F Prog's | 5A | $ 1,280,373 | $ - | $ 1,280,373 | $ 1,813,988 | $ - | $ 1,813,988 | $ 3,094,361 | $ - | $ 3,094,361 |
| Homme Y&FP -Quest/Al. | 5B | $ 174,950 | $ - | $ 174,950 | $ 567,435 | $ - | $ 567,435 | $ 742,385 | $ - | $ 742,385 |
| Homme Y&FP-Neillsville | 6 | $ 1,321,004 | $ - | $ 1,321,004 | $ 1,553,933 | $ - | $ 1,553,933 | $ 2,874,937 | $ - | $ 2,874,937 |
| Homme Y&FP-Serenity | 7 | $ 65,122 | $ - | $ 65,122 | $ 774,675 | $ - | $ 774,675 | $ 839,797 | $ - | $ 839,797 |
| Lad Lake | 8 | $ 1,580,126 | $ 115,915 | $ 1,464,211 | $ 1,369,920 | $ 73,665 | $ 1,296,255 | $ 2,950,046 | $ 189,580 | $ 2,760,466 |
| Mercy Options CCI | 9 | $ 668,214 | $ 20,473 | $ 647,741 | $ 821,198 | $ 4,550 | $ 816,648 | $ 1,489,412 | $ 25,023 | $ 1,464,389 |
| Milwaukee Academy | 10 | $ 461,943 | $ 6,977 | $ 454,966 | $ 630,943 | $ 13,810 | $ 617,133 | $ 1,092,886 | $ 20,787 | $ 1,072,099 |
| Norris Adolescent Ctr | 11 | $ 1,747,397 | $ 186,896 | $ 1,560,501 | $ 2,090,043 | $ 199,103 | $ 1,890,940 | $ 3,837,440 | $ 385,999 | $ 3,451,441 |
| NW Passage-Assess. | 12 | $ 234,920 | $ 15,387 | $ 219,533 | $ 244,118 | $ 12,032 | $ 232,086 | $ 479,038 | $ 27,419 | $ 451,619 |
| NW Passage-Stabilize | 13A | $ 82,775 | $ 5,453 | $ 77,322 | $ 92,028 | $ 4,595 | $ 87,433 | $ 174,803 | $ 10,048 | $ 164,755 |
| NW Passage -Girls | 13B | $ 201,953 | $ 13,105 | $ 188,848 | $ 385,247 | $ 19,218 | $ 366,029 | $ 587,200 | $ 32,323 | $ 554,877 |
| NW Passage I-Std Res | 13C | $ 330,678 | $ 21,649 | $ 309,029 | $ 405,195 | $ 20,759 | $ 384,436 | $ 735,873 | $ 42,408 | $ 693,465 |
| NW Passage I-Intensive | 14A | $ 4,420 | $ 353 | $ 4,067 | $ 26,571 | $ 1,180 | $ 25,391 | $ 30,991 | $ 1,533 | $ 29,458 |
| NW Passage I -STOP | 14B | $ 588,022 | $ 37,770 | $ 550,252 | $ 634,237 | $ 31,120 | $ 603,117 | $ 1,222,259 | $ 68,890 | $ 1,153,369 |
| NW Passage II -Boys | 14C | $ 349,330 | $ 22,204 | $ 327,126 | $ 373,010 | $ 18,740 | $ 354,270 | $ 722,340 | $ 40,944 | $ 681,396 |
| ODTC -Casey House | 15 | $ 144,502 | $ 14,061 | $ 130,441 | $ 112,920 | $ 10,167 | $ 102,753 | $ 257,422 | $ 24,228 | $ 233,194 |
| ODTC -Cheryl House | 16 | $ 150,397 | $ 12,225 | $ 138,172 | $ 84,976 | $ 8,575 | $ 76,401 | $ 235,373 | $ 20,800 | $ 214,573 |
| ODTC -Main Building | 17A | $ 777,261 | $ 74,947 | $ 702,314 | $ 793,916 | $ 72,007 | $ 721,909 | $ 1,571,177 | $ 146,954 | $ 1,424,223 |
| ODTC -Main -Intensive | 17B | $ 553,561 | $ 44,633 | $ 508,928 | $ 405,420 | $ 36,657 | $ 368,763 | $ 958,981 | $ 81,290 | $ 877,691 |
| ODTC -Sawyer House | 18 | $ 24,567 | $ 2,426 | $ 22,141 | $ 82,464 | $ 7,243 | $ 75,221 | $ 107,031 | $ 9,669 | $ 97,362 |
| Rawhide Boys Ranch | 19 | $ 414,380 | $ 3,870 | $ 410,510 | $ 724,291 | $ 8,978 | $ 715,313 | $ 1,138,671 | $ 12,848 | $ 1,125,823 |
| St. Amelian-Lakeside Compass | 20A | $ 201,674 | $ 12,640 | $ 189,034 | $ 109,777 | $ 6,246 | $ 103,531 | $ 311,451 | $ 18,886 | $ 292,565 |
| St. Amelian-Lakeside | 20B | $ 901,460 | $ 56,013 | $ 845,447 | $ 912,417 | $ 50,645 | $ 861,772 | $ 1,813,877 | $ 106,658 | $ 1,707,219 |
| St. Charles | 21 | $ - | $ - | $ - | $ 396,883 | $ 19,615 | $ 377,268 | $ 396,883 | $ 19,615 | $ 377,268 |
| St. Rose Y&F Ctr | 22 | $ 262,026 | $ 17,752 | $ 244,274 | $ 265,736 | $ 19,462 | $ 246,274 | $ 527,762 | $ 37,214 | $ 490,548 |
| Tomorrow's Children | 23 | $ 1,403,518 | $ 42,214 | $ 1,361,304 | $ 1,303,572 | $ 40,417 | $ 1,263,155 | $ 2,707,090 | $ 82,631 | $ 2,624,459 |
| Willowglen-Main | 24 | $ 702,534 | $ 43,590 | $ 658,944 | $ 234,274 | $ 14,020 | $ 220,254 | $ 936,808 | $ 57,610 | $ 879,198 |
| Willowglen-Main-Intnsv | 25A | $ 34,871 | $ 2,237 | $ 32,634 | $ - | $ - | $ - | $ 34,871 | $ 2,237 | $ 32,634 |
| Willowglen -Manitoba | 25B | $ 272,809 | $ 17,006 | $ 255,803 | $ 115,496 | $ 6,857 | $ 108,639 | $ 388,305 | $ 23,863 | $ 364,442 |
| Wyalusing Academy | 26A | $ 629,674 | $ 41,140 | $ 588,534 | $ 582,478 | $ 33,626 | $ 548,852 | $ 1,212,152 | $ 74,766 | $ 1,137,386 |
| Wyalusing Academy | 26B | $ 56,028 | $ 3,434 | $ 52,594 | $ 55,994 | $ 2,706 | $ 53,288 | $ 112,022 | $ 6,140 | $ 105,882 |
| Youth TC Wash Co-LSS | 27 | $ - | $ - | $ - | $ 187,533 | $ 11,402 | $ 176,131 | $ 187,533 | $ 11,402 | $ 176,131 |
| | **Totals** | **$ 19,347,990** | **$ 1,045,370** | **$ 18,302,620** | **$ 22,034,086** | **$ 931,676** | **$ 21,102,410** | **$ 41,382,076** | **$ 1,977,046** | **$ 39,405,030** |
| | **Federal Share** | **$ 11,283,748** | **$ 609,659** | **$ 10,674,089** | **$ 12,702,650** | **$ 537,111** | **$ 12,165,539** | **$ 23,986,398** | **$ 1,146,770** | **$ 22,839,628** |

# WISCONSIN'S ALLOCATION OF TOTAL RESIDENTIAL CARE CENTER COSTS TO MEDICAID
## OCTOBER 2004 - DECEMBER 2004

| c.1 | c.2 | c.3 | c.4 | c.5 | c.6 | c.7 | c.8 | c.9 | c.10 | c.11 | c.12 | c.13 | c.14 | c.15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CALCULATION OF TOTAL MEDICAID RCC COSTS | | | | | BASE RATE RCC COSTS | | | | | ADMINISTRATIVE RATE RCC COSTS | | | | |
| | | | | | *Cost Allocation by State* | | *Cost Allocation Calculated by OIG* | | | *Cost Allocation by State* | | *Cost Allocation Calculated by OIG* | | |
| RCC Facility | Recipient Days | Daily Rate | Total Medicaid Allocation Percent | Total Medicaid RCC Costs ((c.3 x c.4) x c.2)) | Allocation Percent Applied | Allocated Costs ((c.3 x c.6) x c.2)) | Allowable Allocation Percent (Note 1) | Allowable Costs ((c.3 x c.8) x c.2)) | Questioned Costs (c.7 - c.9) | Allocation Percent Applied | Allocated Costs ((c.3 x c.11) x c.2)) | Allowed Allocation Percent | Allowable Costs ((c.3 x c.13) x c.2)) | Questioned Costs (c.12 - c.14) |
| 1 | 0 | $0.00 | 0.00% | $ - | 0.00% | $ - | 0.00% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 2A | 241 | $254.85 | 59.50% | $ 36,544 | 51.50% | $ 31,631 | 5.51% | $ 3,384 | $ 28,247 | 8.00% | $ 4,913 | 0.00% | $ - | $ 4,913 |
| 2B | 2,893 | $247.97 | 58.65% | $ 420,742 | 50.65% | $ 363,352 | 4.69% | $ 33,645 | $ 329,707 | 8.00% | $ 57,390 | 0.00% | $ - | $ 57,390 |
| 2C | 4 | $166.82 | 59.41% | $ 396 | 51.41% | $ 343 | 4.76% | $ 32 | $ 311 | 8.00% | $ 53 | 0.00% | $ - | $ 53 |
| 3 | 440 | $242.00 | 56.37% | $ 60,022 | 48.37% | $ 51,504 | 4.48% | $ 4,770 | $ 46,734 | 8.00% | $ 8,518 | 0.00% | $ - | $ 8,518 |
| 4 | 1,208 | $257.03 | 62.00% | $ 192,505 | 54.00% | $ 167,666 | 5.00% | $ 15,525 | $ 152,141 | 8.00% | $ 24,839 | 0.00% | $ - | $ 24,839 |
| 5A | 2,016 | $245.00 | 63.87% | $ 315,467 | 55.87% | $ 275,953 | 0.00% | $ - | $ 275,953 | 8.00% | $ 39,514 | 0.00% | $ - | $ 39,514 |
| 5B | 233 | $253.00 | 63.87% | $ 37,651 | 55.87% | $ 32,935 | 0.00% | $ - | $ 32,935 | 8.00% | $ 4,716 | 0.00% | $ - | $ 4,716 |
| 6 | 1,522 | $245.00 | 77.72% | $ 289,810 | 69.72% | $ 259,979 | 0.00% | $ - | $ 259,979 | 8.00% | $ 29,831 | 0.00% | $ - | $ 29,831 |
| 7 | 89 | $245.00 | 75.35% | $ 16,430 | 67.35% | $ 14,686 | 0.00% | $ - | $ 14,686 | 8.00% | $ 1,744 | 0.00% | $ - | $ 1,744 |
| 8 | 2,499 | $258.69 | 66.79% | $ 431,775 | 58.79% | $ 380,058 | 5.38% | $ 34,780 | $ 345,278 | 8.00% | $ 51,717 | 0.00% | $ - | $ 51,717 |
| 9 | 1,076 | $235.00 | 67.61% | $ 170,959 | 59.61% | $ 150,730 | 5.00% | $ 12,643 | $ 138,087 | 8.00% | $ 20,229 | 0.00% | $ - | $ 20,229 |
| 10 | 604 | $252.75 | 57.33% | $ 87,521 | 49.33% | $ 75,308 | 4.57% | $ 6,977 | $ 68,331 | 8.00% | $ 12,213 | 0.00% | $ - | $ 12,213 |
| 11 | 2,336 | $239.00 | 61.57% | $ 343,747 | 53.57% | $ 299,083 | 7.05% | $ 39,360 | $ 259,723 | 8.00% | $ 44,664 | 0.00% | $ - | $ 44,664 |
| 12 | 506 | $222.00 | 58.56% | $ 65,782 | 50.56% | $ 56,795 | 4.68% | $ 5,257 | $ 51,538 | 8.00% | $ 8,987 | 0.00% | $ - | $ 8,987 |
| 13A | 214 | $195.00 | 59.13% | $ 24,675 | 51.13% | $ 21,337 | 4.73% | $ 1,974 | $ 19,363 | 8.00% | $ 3,338 | 0.00% | $ - | $ 3,338 |
| 13B | 437 | $195.00 | 59.13% | $ 50,387 | 51.13% | $ 43,570 | 4.73% | $ 4,031 | $ 39,539 | 8.00% | $ 6,817 | 0.00% | $ - | $ 6,817 |
| 13C | 848 | $195.00 | 57.59% | $ 95,231 | 49.59% | $ 82,002 | 4.59% | $ 7,590 | $ 74,412 | 8.00% | $ 13,229 | 0.00% | $ - | $ 13,229 |
| 14A | 34 | $222.00 | 58.56% | $ 4,420 | 50.56% | $ 3,816 | 4.68% | $ 353 | $ 3,463 | 8.00% | $ 604 | 0.00% | $ - | $ 604 |
| 14B | 980 | $222.00 | 58.56% | $ 127,403 | 50.56% | $ 109,998 | 4.68% | $ 10,182 | $ 99,816 | 8.00% | $ 17,405 | 0.00% | $ - | $ 17,405 |
| 14C | 599 | $195.00 | 57.59% | $ 67,268 | 49.59% | $ 57,924 | 4.59% | $ 5,361 | $ 52,563 | 8.00% | $ 9,344 | 0.00% | $ - | $ 9,344 |
| 15 | 224 | $262.98 | 61.68% | $ 36,334 | 53.68% | $ 31,621 | 5.34% | $ 3,146 | $ 28,475 | 8.00% | $ 4,713 | 0.00% | $ - | $ 4,713 |
| 16 | 142 | $262.98 | 79.12% | $ 29,546 | 71.12% | $ 26,559 | 0.08% | $ 30 | $ 26,529 | 8.00% | $ 2,987 | 0.00% | $ - | $ 2,987 |
| 17A | 1,500 | $262.98 | 61.68% | $ 243,309 | 53.68% | $ 211,751 | 5.34% | $ 21,065 | $ 190,686 | 8.00% | $ 31,558 | 0.00% | $ - | $ 31,558 |
| 17B | 714 | $340.45 | 66.42% | $ 161,455 | 58.42% | $ 142,008 | 4.00% | $ 9,723 | $ 132,285 | 8.00% | $ 19,447 | 0.00% | $ - | $ 19,447 |
| 18 | 23 | $262.98 | 61.68% | $ 3,731 | 53.68% | $ 3,247 | 5.34% | $ 323 | $ 2,924 | 8.00% | $ 484 | 0.00% | $ - | $ 484 |
| 19 | 513 | $188.61 | 51.47% | $ 49,801 | 43.47% | $ 42,060 | 1.35% | $ 1,306 | $ 40,754 | 8.00% | $ 7,741 | 0.00% | $ - | $ 7,741 |
| 20A | 394 | $259.89 | 64.16% | $ 65,698 | 56.16% | $ 57,506 | 4.43% | $ 4,536 | $ 52,970 | 8.00% | $ 8,192 | 0.00% | $ - | $ 8,192 |
| 20B | 1,525 | $247.48 | 64.16% | $ 242,144 | 56.16% | $ 211,951 | 4.43% | $ 16,719 | $ 195,232 | 8.00% | $ 30,193 | 0.00% | $ - | $ 30,193 |
| 21 | 0 | $0.00 | 0.00% | $ - | 0.00% | $ - | 0.00% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 22 | 565 | $267.03 | 67.49% | $ 101,823 | 59.49% | $ 89,753 | 4.96% | $ 7,483 | $ 82,270 | 8.00% | $ 12,070 | 0.00% | $ - | $ 12,070 |
| 23 | 2,361 | $207.67 | 74.45% | $ 365,035 | 66.45% | $ 325,810 | 2.11% | $ 10,346 | $ 315,464 | 8.00% | $ 39,225 | 0.00% | $ - | $ 39,225 |
| 24 | 925 | $262.40 | 66.54% | $ 161,506 | 58.54% | $ 142,088 | 4.62% | $ 11,214 | $ 130,874 | 8.00% | $ 19,418 | 0.00% | $ - | $ 19,418 |
| 25A | 92 | $183.50 | 66.54% | $ 11,233 | 58.54% | $ 9,883 | 4.62% | $ 780 | $ 9,103 | 8.00% | $ 1,350 | 0.00% | $ - | $ 1,350 |
| 25B | 460 | $262.40 | 66.54% | $ 80,316 | 58.54% | $ 70,660 | 4.62% | $ 5,577 | $ 65,083 | 8.00% | $ 9,656 | 0.00% | $ - | $ 9,656 |
| 26A | 1,159 | $233.38 | 57.78% | $ 156,288 | 49.78% | $ 134,649 | 4.61% | $ 12,469 | $ 122,180 | 8.00% | $ 21,639 | 0.00% | $ - | $ 21,639 |
| 26B | 138 | $248.03 | 58.51% | $ 20,027 | 50.51% | $ 17,289 | 4.67% | $ 1,598 | $ 15,691 | 8.00% | $ 2,738 | 0.00% | $ - | $ 2,738 |
| 27 | 0 | $0.00 | 0.00% | $ - | 0.00% | $ - | 0.00% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| **Totals** | **29,514** | | | **$ 4,566,981** | | **$ 3,995,505** | | **$ 292,179** | **$ 3,703,326** | | **$ 571,476** | | **$ -** | **$ 571,476** |
| **Federal Share @ 58.32%** | | | | **$ 2,663,464** | | **$ 2,330,179** | | **$ 170,399** | **$ 2,159,780** | | **$ 333,285** | | **$ -** | **$ 333,285** |

**Note 1** OIG allowable allocation percent was calculated by removing the State's allocations of salaries for Youth Care and Social Workers to Mediciad that were not adequately documented. Specifically, these allocations were calculated based on unsupported effort percentages the State's consultant recommended as being reasonable.

# WISCONSIN'S ALLOCATION OF TOTAL RESIDENTIAL CARE CENTER COSTS TO MEDICAID

## January 2005 - September 2005

| c.1 | c.2 | c.3 | c.4 | c.5 | c.6 | c.7 | c.8 | c.9 | c.10 | c.11 | c.12 | c.13 | c.14 | c.15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CALCULATION OF TOTAL MEDICAID RCC COSTS | | | | | BASE RATE RCC COSTS | | | | | ADMINISTRATIVE RATE RCC COSTS | | | | |
| | | | | | *Cost Allocation by State* | | *Cost Allocation Calculated by OIG* | | | *Cost Allocation by State* | | *Cost Allocation Calculated by OIG* | | |
| RCC Facility | Recipient Days | Daily Rate | Total Medicaid Allocation Percent | Total Medicaid RCC Costs ((c.3 x c.4) x c.2)) | Allocation Percent Applied | Allocated Costs ((c.3 x c.6) x c.2)) | Allowable Allocation Percent (Note 1) | Allowable Costs ((c.3 x c.8) x c.2)) | Questioned Costs (c.7 - c.9) | Allocation Percent Applied | Allocated Costs ((c.3 x c.11) x c.2)) | Allowed Allocation Percent | Allowable Costs ((c.3 x c.13) x c.2)) | Questioned Costs (c.12 - c.14) |
| 1 | 0 | $0.00 | 66.44% | $ - | 58.44% | $ - | 4.00% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 2A | 1,007 | $264.39 | 70.13% | $ 186,715 | 62.13% | $ 165,416 | 2.76% | $ 7,349 | $ 158,067 | 8.00% | $ 21,299 | 0.00% | $ - | $ 21,299 |
| 2B | 10,193 | $257.85 | 62.43% | $ 1,640,826 | 54.43% | $ 1,430,565 | 2.88% | $ 75,694 | $ 1,354,871 | 8.00% | $ 210,261 | 0.00% | $ - | $ 210,261 |
| 2C | 118 | $172.31 | 85.39% | $ 17,362 | 77.39% | $ 15,735 | 0.00% | $ - | $ 15,735 | 8.00% | $ 1,627 | 0.00% | $ - | $ 1,627 |
| 3 | 2,441 | $253.00 | 62.60% | $ 386,601 | 54.60% | $ 337,195 | 3.74% | $ 23,097 | $ 314,098 | 8.00% | $ 49,406 | 0.00% | $ - | $ 49,406 |
| 4 | 4,293 | $269.89 | 67.82% | $ 785,788 | 59.82% | $ 693,097 | 4.10% | $ 47,504 | $ 645,593 | 8.00% | $ 92,691 | 0.00% | $ - | $ 92,691 |
| 5A | 6,190 | $255.00 | 61.13% | $ 964,906 | 53.13% | $ 838,630 | 0.00% | $ - | $ 838,630 | 8.00% | $ 126,276 | 0.00% | $ - | $ 126,276 |
| 5B | 854 | $263.00 | 61.13% | $ 137,299 | 53.13% | $ 119,331 | 0.00% | $ - | $ 119,331 | 8.00% | $ 17,968 | 0.00% | $ - | $ 17,968 |
| 6 | 5,282 | $255.00 | 76.56% | $ 1,031,194 | 68.56% | $ 923,441 | 0.00% | $ - | $ 923,441 | 8.00% | $ 107,753 | 0.00% | $ - | $ 107,753 |
| 7 | 256 | $255.00 | 74.59% | $ 48,692 | 66.59% | $ 43,470 | 0.00% | $ - | $ 43,470 | 8.00% | $ 5,222 | 0.00% | $ - | $ 5,222 |
| 8 | 6,559 | $275.50 | 63.55% | $ 1,148,351 | 55.55% | $ 1,003,791 | 4.49% | $ 81,135 | $ 922,656 | 8.00% | $ 144,560 | 0.00% | $ - | $ 144,560 |
| 9 | 3,299 | $235.00 | 64.14% | $ 497,255 | 56.14% | $ 435,234 | 1.01% | $ 7,830 | $ 427,404 | 8.00% | $ 62,021 | 0.00% | $ - | $ 62,021 |
| 10 | 1,975 | $261.96 | 72.37% | $ 374,422 | 64.37% | $ 333,032 | 0.00% | $ - | $ 333,032 | 8.00% | $ 41,390 | 0.00% | $ - | $ 41,390 |
| 11 | 9,275 | $247.00 | 61.27% | $ 1,403,650 | 53.27% | $ 1,220,376 | 6.44% | $ 147,536 | $ 1,072,840 | 8.00% | $ 183,274 | 0.00% | $ - | $ 183,274 |
| 12 | 1,153 | $230.00 | 63.78% | $ 169,138 | 55.78% | $ 147,923 | 3.82% | $ 10,130 | $ 137,793 | 8.00% | $ 21,215 | 0.00% | $ - | $ 21,215 |
| 13A | 460 | $199.00 | 63.47% | $ 58,100 | 55.47% | $ 50,777 | 3.80% | $ 3,479 | $ 47,298 | 8.00% | $ 7,323 | 0.00% | $ - | $ 7,323 |
| 13B | 1,200 | $199.00 | 63.47% | $ 151,566 | 55.47% | $ 132,462 | 3.80% | $ 9,074 | $ 123,388 | 8.00% | $ 19,104 | 0.00% | $ - | $ 19,104 |
| 13C | 1,884 | $199.00 | 62.80% | $ 235,447 | 54.80% | $ 205,454 | 3.75% | $ 14,059 | $ 191,395 | 8.00% | $ 29,993 | 0.00% | $ - | $ 29,993 |
| 14A | 0 | $0.00 | 63.78% | $ - | 55.78% | $ - | 3.82% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 14B | 3,140 | $230.00 | 63.78% | $ 460,619 | 55.78% | $ 402,843 | 3.82% | $ 27,588 | $ 375,255 | 8.00% | $ 57,776 | 0.00% | $ - | $ 57,776 |
| 14C | 2,257 | $199.00 | 62.80% | $ 282,062 | 54.80% | $ 246,130 | 3.75% | $ 16,843 | $ 229,287 | 8.00% | $ 35,932 | 0.00% | $ - | $ 35,932 |
| 15 | 597 | $270.87 | 66.89% | $ 108,168 | 58.89% | $ 95,231 | 6.75% | $ 10,915 | $ 84,316 | 8.00% | $ 12,937 | 0.00% | $ - | $ 12,937 |
| 16 | 667 | $270.87 | 66.89% | $ 120,851 | 58.89% | $ 106,397 | 6.75% | $ 12,195 | $ 94,202 | 8.00% | $ 14,454 | 0.00% | $ - | $ 14,454 |
| 17A | 2,947 | $270.87 | 66.89% | $ 533,952 | 58.89% | $ 470,092 | 6.75% | $ 53,882 | $ 416,210 | 8.00% | $ 63,860 | 0.00% | $ - | $ 63,860 |
| 17B | 1,662 | $350.66 | 67.28% | $ 392,106 | 59.28% | $ 345,482 | 5.99% | $ 34,910 | $ 310,572 | 8.00% | $ 46,624 | 0.00% | $ - | $ 46,624 |
| 18 | 115 | $270.87 | 66.89% | $ 20,836 | 58.89% | $ 18,344 | 6.75% | $ 2,103 | $ 16,241 | 8.00% | $ 2,492 | 0.00% | $ - | $ 2,492 |
| 19 | 4,431 | $199.61 | 41.22% | $ 364,579 | 33.22% | $ 293,821 | 0.29% | $ 2,564 | $ 291,257 | 8.00% | $ 70,758 | 0.00% | $ - | $ 70,758 |
| 20A | 833 | $265.08 | 61.58% | $ 135,976 | 53.58% | $ 118,311 | 3.67% | $ 8,104 | $ 110,207 | 8.00% | $ 17,665 | 0.00% | $ - | $ 17,665 |
| 20B | 4,180 | $256.14 | 61.58% | $ 659,316 | 53.58% | $ 573,663 | 3.67% | $ 39,294 | $ 534,369 | 8.00% | $ 85,653 | 0.00% | $ - | $ 85,653 |
| 21 | 0 | $0.00 | 67.61% | $ - | 59.61% | $ - | 4.09% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 22 | 938 | $267.03 | 63.96% | $ 160,203 | 55.96% | $ 140,165 | 4.10% | $ 10,269 | $ 129,896 | 8.00% | $ 20,038 | 0.00% | $ - | $ 20,038 |
| 23 | 6,684 | $213.80 | 72.67% | $ 1,038,483 | 64.67% | $ 924,160 | 2.23% | $ 31,868 | $ 892,292 | 8.00% | $ 114,323 | 0.00% | $ - | $ 114,323 |
| 24 | 3,247 | $262.40 | 63.50% | $ 541,028 | 55.50% | $ 472,867 | 3.80% | $ 32,376 | $ 440,491 | 8.00% | $ 68,161 | 0.00% | $ - | $ 68,161 |
| 25A | 161 | $183.50 | 80.01% | $ 23,638 | 72.01% | $ 21,275 | 4.93% | $ 1,457 | $ 19,818 | 8.00% | $ 2,363 | 0.00% | $ - | $ 2,363 |
| 25B | 1,220 | $262.40 | 60.13% | $ 192,493 | 52.13% | $ 166,883 | 3.57% | $ 11,429 | $ 155,454 | 8.00% | $ 25,610 | 0.00% | $ - | $ 25,610 |
| 26A | 3,180 | $242.37 | 61.42% | $ 473,386 | 53.42% | $ 411,727 | 3.72% | $ 28,671 | $ 383,056 | 8.00% | $ 61,659 | 0.00% | $ - | $ 61,659 |
| 26B | 213 | $254.24 | 66.48% | $ 36,001 | 58.48% | $ 31,669 | 3.39% | $ 1,836 | $ 29,833 | 8.00% | $ 4,332 | 0.00% | $ - | $ 4,332 |
| 27 | 0 | $0.00 | 57.55% | $ - | 49.55% | $ - | 5.42% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| **Totals** | **92,911** | | | **$ 14,781,009** | | **$ 12,934,989** | | **$ 753,191** | **$ 12,181,798** | | **$ 1,846,020** | | **$ -** | **$ 1,846,020** |
| **Federal Share @ 58.32%** | | | | **$ 8,620,284** | | **$ 7,543,685** | | **$ 439,260** | **$ 7,104,425** | | **$ 1,076,599** | | **$ -** | **$ 1,076,599** |

**Note 1** OIG allowable allocation percent was calculated by removing the State's allocations of salaries for Youth Care and Social Workers to Mediciad that were not adequately documented. Specifically, these allocations were calculated based on unsupported effort percentages the State's consultant recommended as being reasonable.

# WISCONSIN'S ALLOCATION OF TOTAL RESIDENTIAL CARE CENTER COSTS TO MEDICAID
## OCTOBER 2005 - DECEMBER 2005

| c.1 | c.2 | c.3 | c.4 | c.5 | c.6 | c.7 | c.8 | c.9 | c.10 | c.11 | c.12 | c.13 | c.14 | c.15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CALCULATION OF TOTAL MEDICAID RCC COSTS | | | | | BASE RATE RCC COSTS | | | | | ADMINISTRATIVE RATE RCC COSTS | | | | |
| | | | | | *Cost Allocation by State* | | *Cost Allocation Calculated by OIG* | | | *Cost Allocation by State* | | *Cost Allocation Calculated by OIG* | | |
| RCC Facility | Recipient Days | Daily Rate | Total Medicaid Allocation Percent | Total Medicaid RCC Costs ((c.3 x c.4) x c.2)) | Allocation Percent Applied | Allocated Costs ((c.3 x c.6) x c.2)) | Allowable Allocation Percent (Note 1) | Allowable Costs ((c.3 x c.8) x c.2)) | Questioned Costs (c.7 - c.9) | Allocation Percent Applied | Allocated Costs ((c.3 x c.11) x c.2)) | Allowed Allocation Percent | Allowable Costs ((c.3 x c.13) x c.2)) | Questioned Costs (c.12 - c.14) |
| 1 | 33 | $270.00 | 66.44% | $ 5,920 | 58.44% | $ 5,207 | 4.00% | $ 356 | $ 4,851 | 8.00% | $ 713 | 0.00% | $ - | $ 713 |
| 2A | 600 | $264.39 | 70.13% | $ 111,250 | 62.13% | $ 98,559 | 2.76% | $ 4,378 | $ 94,181 | 8.00% | $ 12,691 | 0.00% | $ - | $ 12,691 |
| 2B | 5,587 | $257.85 | 62.43% | $ 899,372 | 54.43% | $ 784,123 | 2.88% | $ 41,490 | $ 742,633 | 8.00% | $ 115,249 | 0.00% | $ - | $ 115,249 |
| 2C | 240 | $172.31 | 85.39% | $ 35,312 | 77.39% | $ 32,004 | 0.00% | $ - | $ 32,004 | 8.00% | $ 3,308 | 0.00% | $ - | $ 3,308 |
| 3 | 876 | $253.00 | 62.60% | $ 138,739 | 54.60% | $ 121,009 | 3.74% | $ 8,289 | $ 112,720 | 8.00% | $ 17,730 | 0.00% | $ - | $ 17,730 |
| 4 | 2,136 | $269.89 | 67.82% | $ 390,972 | 59.82% | $ 344,853 | 4.10% | $ 23,636 | $ 321,217 | 8.00% | $ 46,119 | 0.00% | $ - | $ 46,119 |
| 5A | 3,724 | $255.00 | 61.13% | $ 580,503 | 53.13% | $ 504,533 | 0.00% | $ - | $ 504,533 | 8.00% | $ 75,970 | 0.00% | $ - | $ 75,970 |
| 5B | 1,411 | $263.00 | 61.13% | $ 226,849 | 53.13% | $ 197,162 | 0.00% | $ - | $ 197,162 | 8.00% | $ 29,687 | 0.00% | $ - | $ 29,687 |
| 6 | 2,873 | $255.00 | 76.56% | $ 560,890 | 68.56% | $ 502,281 | 0.00% | $ - | $ 502,281 | 8.00% | $ 58,609 | 0.00% | $ - | $ 58,609 |
| 7 | 1,183 | $255.00 | 74.59% | $ 225,012 | 66.59% | $ 200,879 | 0.00% | $ - | $ 200,879 | 8.00% | $ 24,133 | 0.00% | $ - | $ 24,133 |
| 8 | 2,777 | $275.50 | 63.55% | $ 486,198 | 55.55% | $ 424,993 | 4.49% | $ 34,351 | $ 390,642 | 8.00% | $ 61,205 | 0.00% | $ - | $ 61,205 |
| 9 | 1,917 | $235.00 | 64.14% | $ 288,947 | 56.14% | $ 252,907 | 1.01% | $ 4,550 | $ 248,357 | 8.00% | $ 36,040 | 0.00% | $ - | $ 36,040 |
| 10 | 1,251 | $261.96 | 72.37% | $ 237,165 | 64.37% | $ 210,948 | 0.00% | $ - | $ 210,948 | 8.00% | $ 26,217 | 0.00% | $ - | $ 26,217 |
| 11 | 5,378 | $247.00 | 61.27% | $ 813,890 | 53.27% | $ 707,621 | 6.44% | $ 85,547 | $ 622,074 | 8.00% | $ 106,269 | 0.00% | $ - | $ 106,269 |
| 12 | 520 | $230.00 | 63.78% | $ 76,281 | 55.78% | $ 66,713 | 3.82% | $ 4,569 | $ 62,144 | 8.00% | $ 9,568 | 0.00% | $ - | $ 9,568 |
| 13A | 262 | $199.00 | 63.47% | $ 33,092 | 55.47% | $ 28,921 | 3.80% | $ 1,981 | $ 26,940 | 8.00% | $ 4,171 | 0.00% | $ - | $ 4,171 |
| 13B | 1,087 | $199.00 | 63.47% | $ 137,294 | 55.47% | $ 119,989 | 3.80% | $ 8,220 | $ 111,769 | 8.00% | $ 17,305 | 0.00% | $ - | $ 17,305 |
| 13C | 1,439 | $199.00 | 62.80% | $ 179,835 | 54.80% | $ 156,926 | 3.75% | $ 10,739 | $ 146,187 | 8.00% | $ 22,909 | 0.00% | $ - | $ 22,909 |
| 14A | 0 | $0.00 | 63.78% | $ - | 55.78% | $ - | 3.82% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 14B | 1,303 | $230.00 | 63.78% | $ 191,142 | 55.78% | $ 167,167 | 3.82% | $ 11,448 | $ 155,719 | 8.00% | $ 23,975 | 0.00% | $ - | $ 23,975 |
| 14C | 1,131 | $199.00 | 62.80% | $ 141,343 | 54.80% | $ 123,338 | 3.75% | $ 8,440 | $ 114,898 | 8.00% | $ 18,005 | 0.00% | $ - | $ 18,005 |
| 15 | 244 | $270.87 | 66.89% | $ 44,209 | 58.89% | $ 38,922 | 6.75% | $ 4,461 | $ 34,461 | 8.00% | $ 5,287 | 0.00% | $ - | $ 5,287 |
| 16 | 469 | $270.87 | 66.89% | $ 84,976 | 58.89% | $ 74,813 | 6.75% | $ 8,575 | $ 66,238 | 8.00% | $ 10,163 | 0.00% | $ - | $ 10,163 |
| 17A | 1,877 | $270.87 | 66.89% | $ 340,084 | 58.89% | $ 299,410 | 6.75% | $ 34,319 | $ 265,091 | 8.00% | $ 40,674 | 0.00% | $ - | $ 40,674 |
| 17B | 689 | $350.66 | 67.28% | $ 162,551 | 59.28% | $ 143,223 | 5.99% | $ 14,472 | $ 128,751 | 8.00% | $ 19,328 | 0.00% | $ - | $ 19,328 |
| 18 | 122 | $270.87 | 66.89% | $ 22,105 | 58.89% | $ 19,461 | 6.75% | $ 2,231 | $ 17,230 | 8.00% | $ 2,644 | 0.00% | $ - | $ 2,644 |
| 19 | 2,883 | $199.61 | 41.22% | $ 237,211 | 33.22% | $ 191,173 | 0.29% | $ 1,669 | $ 189,504 | 8.00% | $ 46,038 | 0.00% | $ - | $ 46,038 |
| 20A | 391 | $265.08 | 61.58% | $ 63,825 | 53.58% | $ 55,533 | 3.67% | $ 3,804 | $ 51,729 | 8.00% | $ 8,292 | 0.00% | $ - | $ 8,292 |
| 20B | 2,124 | $256.14 | 61.58% | $ 335,020 | 53.58% | $ 291,497 | 3.67% | $ 19,966 | $ 271,531 | 8.00% | $ 43,523 | 0.00% | $ - | $ 43,523 |
| 21 | 848 | $205.00 | 67.61% | $ 117,533 | 59.61% | $ 103,626 | 4.09% | $ 7,110 | $ 96,516 | 8.00% | $ 13,907 | 0.00% | $ - | $ 13,907 |
| 22 | 835 | $267.03 | 63.96% | $ 142,612 | 55.96% | $ 124,774 | 4.10% | $ 9,142 | $ 115,632 | 8.00% | $ 17,838 | 0.00% | $ - | $ 17,838 |
| 23 | 2,727 | $213.80 | 72.67% | $ 423,690 | 64.67% | $ 377,047 | 2.23% | $ 13,002 | $ 364,045 | 8.00% | $ 46,643 | 0.00% | $ - | $ 46,643 |
| 24 | 1,406 | $262.40 | 63.50% | $ 234,274 | 55.50% | $ 204,759 | 3.80% | $ 14,020 | $ 190,739 | 8.00% | $ 29,515 | 0.00% | $ - | $ 29,515 |
| 25A | 0 | $0.00 | 80.01% | $ - | 72.01% | $ - | 4.93% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 25B | 732 | $262.40 | 60.13% | $ 115,496 | 52.13% | $ 100,130 | 3.57% | $ 6,857 | $ 93,273 | 8.00% | $ 15,366 | 0.00% | $ - | $ 15,366 |
| 26A | 1,593 | $242.37 | 61.42% | $ 237,140 | 53.42% | $ 206,252 | 3.72% | $ 14,363 | $ 191,889 | 8.00% | $ 30,888 | 0.00% | $ - | $ 30,888 |
| 26B | 92 | $254.24 | 66.48% | $ 15,550 | 58.48% | $ 13,679 | 3.39% | $ 793 | $ 12,886 | 8.00% | $ 1,871 | 0.00% | $ - | $ 1,871 |
| 27 | 534 | $205.00 | 57.55% | $ 63,000 | 49.55% | $ 54,242 | 5.42% | $ 5,933 | $ 48,309 | 8.00% | $ 8,758 | 0.00% | $ - | $ 8,758 |
| **Totals** | **53,294** | | | **$ 8,399,282** | | **$ 7,348,674** | | **$ 408,711** | **$ 6,939,963** | | **$ 1,050,608** | | **$ -** | **$ 1,050,608** |
| **Federal Share @ 57.65%** | | | | **$ 4,842,186** | | **$ 4,236,511** | | **$ 235,622** | **$ 4,000,889** | | **$ 605,675** | | **$ -** | **$ 605,675** |

**Note 1** OIG allowable allocation percent was calculated by removing the State's allocations of salaries for Youth Care and Social Workers to Mediciad that were not adequately documented. Specifically, these allocations were calculated based on unsupported effort percentages the State's consultant recommended as being reasonable.

# WISCONSIN'S ALLOCATION OF TOTAL RESIDENTIAL CARE CENTER COSTS TO MEDICAID

## January 2006 - September 2006

| c.1 | c.2 | c.3 | c.4 | c.5 | c.6 | c.7 | c.8 | c.9 | c.10 | c.11 | c.12 | c.13 | c.14 | c.15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CALCULATION OF TOTAL MEDICAID RCC COSTS | | | | | BASE RATE RCC COSTS | | | | | ADMINISTRATIVE RATE RCC COSTS | | | | |
| | | | | | *Cost Allocation by State* | | *Cost Allocation Calculated by OIG* | | | *Cost Allocation by State* | | *Cost Allocation Calculated by OIG* | | |
| RCC Facility | Recipient Days | Daily Rate | Total Medicaid Allocation Percent | Total Medicaid RCC Costs ((c.3 x c.4) x c.2)) | Allocation Percent Applied | Allocated Costs ((c.3 x c.6) x c.2)) | Allowable Allocation Percent (Note 1) | Allowable Costs ((c.3 x c.8) x c.2)) | Questioned Costs (c.7 - c.9) | Allocation Percent Applied | Allocated Costs ((c.3 x c.11) x c.2)) | Allowed Allocation Percent | Allowable Costs ((c.3 x c.13) x c.2)) | Questioned Costs (c.12 - c.14) |
| 1 | 484 | $275.00 | 67.53% | $ 89,882 | 59.53% | $ 79,234 | 3.02% | $ 4,020 | $ 75,214 | 8.00% | $ 10,648 | 0.00% | $ - | $ 10,648 |
| 2A | 569 | $274.16 | 73.05% | $ 113,956 | 65.05% | $ 101,476 | 3.40% | $ 5,304 | $ 96,172 | 8.00% | $ 12,480 | 0.00% | $ - | $ 12,480 |
| 2B | 7,367 | $267.75 | 62.33% | $ 1,229,468 | 54.33% | $ 1,071,667 | 2.94% | $ 57,992 | $ 1,013,675 | 8.00% | $ 157,801 | 0.00% | $ - | $ 157,801 |
| 2C | 471 | $178.65 | 65.99% | $ 55,527 | 57.99% | $ 48,795 | 2.95% | $ 2,482 | $ 46,313 | 8.00% | $ 6,732 | 0.00% | $ - | $ 6,732 |
| 3 | 1,739 | $263.00 | 63.82% | $ 291,885 | 55.82% | $ 255,296 | 2.83% | $ 12,943 | $ 242,353 | 8.00% | $ 36,589 | 0.00% | $ - | $ 36,589 |
| 4 | 2,697 | $280.68 | 68.84% | $ 521,115 | 60.84% | $ 460,555 | 3.09% | $ 23,391 | $ 437,164 | 8.00% | $ 60,560 | 0.00% | $ - | $ 60,560 |
| 5A | 7,646 | $263.00 | 61.34% | $ 1,233,485 | 53.34% | $ 1,072,613 | 0.00% | $ - | $ 1,072,613 | 8.00% | $ 160,872 | 0.00% | $ - | $ 160,872 |
| 5B | 2,074 | $263.00 | 62.44% | $ 340,586 | 54.44% | $ 296,949 | 0.00% | $ - | $ 296,949 | 8.00% | $ 43,637 | 0.00% | $ - | $ 43,637 |
| 6 | 4,516 | $263.00 | 83.61% | $ 993,043 | 75.61% | $ 898,026 | 0.00% | $ - | $ 898,026 | 8.00% | $ 95,017 | 0.00% | $ - | $ 95,017 |
| 7 | 2,620 | $263.00 | 79.77% | $ 549,663 | 71.77% | $ 494,538 | 0.00% | $ - | $ 494,538 | 8.00% | $ 55,125 | 0.00% | $ - | $ 55,125 |
| 8 | 4,867 | $286.44 | 63.39% | $ 883,722 | 55.39% | $ 772,194 | 2.82% | $ 39,314 | $ 732,880 | 8.00% | $ 111,528 | 0.00% | $ - | $ 111,528 |
| 9 | 3,395 | $250.00 | 62.71% | $ 532,251 | 54.71% | $ 464,351 | 0.00% | $ - | $ 464,351 | 8.00% | $ 67,900 | 0.00% | $ - | $ 67,900 |
| 10 | 2,034 | $274.88 | 70.43% | $ 393,778 | 62.43% | $ 349,050 | 2.47% | $ 13,810 | $ 335,240 | 8.00% | $ 44,728 | 0.00% | $ - | $ 44,728 |
| 11 | 8,156 | $255.00 | 61.36% | $ 1,276,153 | 53.36% | $ 1,109,771 | 5.46% | $ 113,556 | $ 996,215 | 8.00% | $ 166,382 | 0.00% | $ - | $ 166,382 |
| 12 | 1,098 | $236.00 | 64.77% | $ 167,837 | 56.77% | $ 147,107 | 2.88% | $ 7,463 | $ 139,644 | 8.00% | $ 20,730 | 0.00% | $ - | $ 20,730 |
| 13A | 449 | $205.00 | 64.03% | $ 58,936 | 56.03% | $ 51,573 | 2.84% | $ 2,614 | $ 48,959 | 8.00% | $ 7,363 | 0.00% | $ - | $ 7,363 |
| 13B | 1,889 | $205.00 | 64.03% | $ 247,953 | 56.03% | $ 216,973 | 2.84% | $ 10,998 | $ 205,975 | 8.00% | $ 30,980 | 0.00% | $ - | $ 30,980 |
| 13C | 1,715 | $205.00 | 64.10% | $ 225,360 | 56.10% | $ 197,234 | 2.85% | $ 10,020 | $ 187,214 | 8.00% | $ 28,126 | 0.00% | $ - | $ 28,126 |
| 14A | 176 | $236.00 | 63.97% | $ 26,571 | 55.97% | $ 23,248 | 2.84% | $ 1,180 | $ 22,068 | 8.00% | $ 3,323 | 0.00% | $ - | $ 3,323 |
| 14B | 2,935 | $236.00 | 63.97% | $ 443,095 | 55.97% | $ 387,682 | 2.84% | $ 19,672 | $ 368,010 | 8.00% | $ 55,413 | 0.00% | $ - | $ 55,413 |
| 14C | 1,763 | $205.00 | 64.10% | $ 231,667 | 56.10% | $ 202,754 | 2.85% | $ 10,300 | $ 192,454 | 8.00% | $ 28,913 | 0.00% | $ - | $ 28,913 |
| 15 | 362 | $287.11 | 66.11% | $ 68,711 | 58.11% | $ 60,396 | 5.49% | $ 5,706 | $ 54,690 | 8.00% | $ 8,315 | 0.00% | $ - | $ 8,315 |
| 16 | 0 | | 66.11% | $ - | 58.11% | $ - | 5.49% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 17A | 2,391 | $287.11 | 66.11% | $ 453,832 | 58.11% | $ 398,914 | 5.49% | $ 37,688 | $ 361,226 | 8.00% | $ 54,918 | 0.00% | $ - | $ 54,918 |
| 17B | 1,023 | $368.19 | 64.48% | $ 242,869 | 56.48% | $ 212,737 | 5.89% | $ 22,185 | $ 190,552 | 8.00% | $ 30,132 | 0.00% | $ - | $ 30,132 |
| 18 | 318 | $287.11 | 66.11% | $ 60,359 | 58.11% | $ 53,055 | 5.49% | $ 5,012 | $ 48,043 | 8.00% | $ 7,304 | 0.00% | $ - | $ 7,304 |
| 19 | 4,408 | $212.58 | 51.98% | $ 487,080 | 43.98% | $ 412,116 | 0.78% | $ 7,309 | $ 404,807 | 8.00% | $ 74,964 | 0.00% | $ - | $ 74,964 |
| 20A | 258 | $265.08 | 67.19% | $ 45,952 | 59.19% | $ 40,481 | 3.57% | $ 2,442 | $ 38,039 | 8.00% | $ 5,471 | 0.00% | $ - | $ 5,471 |
| 20B | 3,355 | $256.14 | 67.19% | $ 577,397 | 59.19% | $ 508,649 | 3.57% | $ 30,679 | $ 477,970 | 8.00% | $ 68,748 | 0.00% | $ - | $ 68,748 |
| 21 | 1,987 | $205.00 | 68.58% | $ 279,350 | 60.58% | $ 246,763 | 3.07% | $ 12,505 | $ 234,258 | 8.00% | $ 32,587 | 0.00% | $ - | $ 32,587 |
| 22 | 666 | $277.71 | 66.57% | $ 123,124 | 58.57% | $ 108,328 | 5.58% | $ 10,320 | $ 98,008 | 8.00% | $ 14,796 | 0.00% | $ - | $ 14,796 |
| 23 | 5,516 | $223.88 | 71.25% | $ 879,882 | 63.25% | $ 781,088 | 2.22% | $ 27,415 | $ 753,673 | 8.00% | $ 98,794 | 0.00% | $ - | $ 98,794 |
| 24 | 0 | | 52.90% | $ - | 44.90% | $ - | 2.28% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 25A | 0 | | 76.28% | $ - | 68.28% | $ - | 3.46% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 25B | 0 | | 71.52% | $ - | 63.52% | $ - | 3.22% | $ - | $ - | 8.00% | $ - | 0.00% | $ - | $ - |
| 26A | 2,209 | $254.24 | 61.49% | $ 345,338 | 53.49% | $ 300,409 | 3.43% | $ 19,263 | $ 281,146 | 8.00% | $ 44,929 | 0.00% | $ - | $ 44,929 |
| 26B | 220 | $266.70 | 68.93% | $ 40,444 | 60.93% | $ 35,750 | 3.26% | $ 1,913 | $ 33,837 | 8.00% | $ 4,694 | 0.00% | $ - | $ 4,694 |
| 27 | 1,034 | $205.00 | 58.75% | $ 124,533 | 50.75% | $ 107,575 | 2.58% | $ 5,469 | $ 102,106 | 8.00% | $ 16,958 | 0.00% | $ - | $ 16,958 |
| **Totals** | **82,407** | | | **$ 13,634,804** | | **$ 11,967,347** | | **$ 522,965** | **$ 11,444,382** | | **$ 1,667,457** | | **$ -** | **$ 1,667,457** |
| **Federal Share @ 57.65%** | | | | **$ 7,860,464** | | **$ 6,899,175** | | **$ 301,489** | **$ 6,597,686** | | **$ 961,289** | | **$ -** | **$ 961,289** |

**Note 1** OIG allowable allocation percent was calculated by removing the State's allocations of salaries for Youth Care and Social Workers to Mediciad that were not adequately documented. Specifically, these allocations were calculated based on unsupported effort percentages the State's consultant recommended as being reasonable.

State of Wisconsin
Department of Health Services

Scott Walker, Governor
Kitty Rhoades, Secretary

May 29, 2013

Ms. Sheri L. Fulcher
Regional Inspector General for Audit Services
U.S. Department of Health and Human Services
Office of Inspector General
Office of Audit Services, Region V
233 North Michigan Avenue, Suite 1360
Chicago, IL 60601

Re: Report No: A-05-07-00036

Dear Ms. Fulcher:

This letter sets forth the comments of the Wisconsin Department of Health Services (WIDHS) regarding the U.S. Department of Health and Human Services, Office of Inspector General's (OIG) draft report entitled *Wisconsin Improperly Claimed Federal Medicaid Reimbursement for Most Residential Care Center Payments*, Report No: A-05-07-00036, dated March 13, 2013 (hereinafter, "Draft").

The Draft makes two recommendations:

- Refund $22,839,628 to the Federal Government for unallowable RCC Costs claimed under HealthCheck
- Work with CMS to identify payment and allocation methodologies for claiming allowable Medicaid RCC costs under HealthCheck.

WIDHS does not concur with these recommendations, for the reasons set forth below.

**Background**

Since the early 1970's, Wisconsin has provided mental health services to Wisconsin residents through county agencies. The services include institutional, outpatient and other community-based services. Initially, these services were funded exclusively by state "community aids" funds and county matching funds. Each county is required to spend county funds equaling approximately 10% of the county's state community aids allocation on allowable human services costs in order to earn its allocation of state funds.

In the years following the development of this system of delivering mental health services, Wisconsin gradually added traditionally state/county community aids-funded mental health services as covered services under its State Medicaid Plan. Among the services currently covered under the Wisconsin State Medicaid Plan under the federal rehabilitative services category are Community Support Program services, mental health Crisis Intervention services, mental health Medical Day Treatment services, Outpatient Psychotherapy services, and services for individuals over age 65 in Institutions for Mental Disease (IMD). Wisconsin claims Federal Financial Participation (FFP) in Medicaid payments for these services.

Wisconsin has been providing services to youth in Residential Care Centers (RCC) for many years. RCCs are privately-operated residential facilities for individuals under 21 years of age who require intensive services to address serious emotional disturbances, as well as other problems. Among other things, RCCs are required by state regulations to provide initial and periodic "HealthCheck" physical and mental examinations for all residents. ["HealthCheck" is Wisconsin's name for the federal Medicaid Early and Periodic Screening, Diagnosis and Treatment (EPSDT) mandate.] Wisconsin youth are placed in RCCs by Wisconsin county agencies that are responsible for mental health services. All youth placed in RCCs for mental health treatment are severely emotionally disturbed and because of their diagnoses require intensive therapeutic treatment, including psychotherapy as well as the design and implementation of a behavior management plan administered throughout the day by youth care workers and social workers, as well as other staff.

Wisconsin counties are required to provide needed mental health services in the least restrictive, most integrated setting consistent with the needs of the individual. For this reason, the vast majority of youth who need mental health services receive them in the community, not in a residential setting like an RCC. Only those youth who do not need inpatient hospitalization but have mental health needs that are so substantial they cannot be treated while the youth lives at home may be placed in an RCC for mental health treatment. In addition, under the least restrictive/most integrated setting mandate, a youth's length of stay in an RCC is limited to the period of time the youth requires treatment in a residential, non-home-based setting.

RCCs do not meet the federal definitions of hospital, nursing home, IMD or Psychiatric Residential Treatment Facility. Therefore, Medicaid FFP is not available for room and board costs in RCCs. However, the mental health treatment services provided in RCCs fall within the "rehabilitative services" benefit category under Social Security Act § 1905(a)(13), and so payments for those services are eligible for Medicaid FFP.

The federal EPSDT law requires each State Medicaid program to provide periodic physical and mental examinations for all Medicaid enrollees under 21 years of age, and to provide Medicaid coverage for any service coverable under federal Medicaid law that is found to be necessary by such an exam, irrespective of whether the needed service is covered under the State's State Medicaid Plan. This is the so-called EPSDT "Other Services" requirement.

Under the Wisconsin "community aids" funding mechanism described above, Wisconsin counties are protected by the so-called county "shield law." This is a Wisconsin statute that limits each county's liability for providing county funds for community mental health services to the county's match that is required to secure its state community aids allocation. Most counties spend at least some additional county funds on mental health and other community aids-coverable services (so-called "overmatch" spending), but a county is not obligated to do so. The result of the "shield law" is that, at least for non-Medicaid eligible individuals, it is possible that some individuals with a need for mental health

services will not receive state and/or county funding for all the services they need, and for such individuals the availability of services may not be equal among Wisconsin's 72 counties.

In the early 2000's, Wisconsin recognized that its county "shield law" could cause Wisconsin to be in noncompliance with the EPSDT "Other Services" requirement as it applies to federally Medicaid-coverable mental health rehabilitative services provided in RCCs. Noncompliance could result from a county availing itself of the "shield law" to deny funding for RCC mental health services for a Medicaid-eligible individual, on grounds the county had met its "match" obligation and thus had no further financial obligation to provide funding for such services.

For this reason, Wisconsin Medicaid began covering RCC mental health services as EPSDT "Other Services," and claiming FFP for the Medicaid payments made for those services. No Medicaid payments were made for RCC residents with non-mental health diagnoses (e.g. those with intellectual disabilities), or for services for RCC residents with mental health diagnoses other than mental health treatment (e.g., education, security, room and board). Prior to this initiative, for many years Wisconsin paid for these RCC mental health treatment services primarily with state and county funds, despite the fact expenditures for such services were eligible for Medicaid FFP under the EPSDT "Other Services" mandate.

Wisconsin did not amend its State Medicaid Plan to provide Medicaid coverage for mental health treatment services in RCCs, because it opted to provide coverage only when required by EPSDT "Other Services." If Wisconsin had amended its State Medicaid Plan to cover RCC mental health services, it would have been required to cover such services for all Medicaid-eligible youth, regardless whether an EPSDT exam indicated a need for the services. Instead, covering such services as EPSDT "Other Services" means that mental health treatment services provided in RCCs are covered by Wisconsin Medicaid only in those instances where the services are provided pursuant to a physician's order based on an EPSDT exam, assuming all other coverage criteria are met (i.e., the child is Medicaid eligible, the services are reimbursable as rehabilitative services under Social Security Act §1905(a)(13), and the services are provided by qualified treatment staff, including youth care workers and social workers, who participate in developing the treatment plan and are responsible for carrying out the treatment methods specified in the plan).

The Wisconsin State Medicaid Plan establishes specific reimbursement methodologies for certain mental health services covered only under the EPSDT "Other Services" benefit, including in-home psychotherapy and specialized psychological evaluation. However, the Plan does not expressly identify a reimbursement methodology for any other services covered only under the EPSDT "Other Services" mandate, including mental health treatment services provided in RCCs. For this reason, Wisconsin Medicaid established reimbursement rates for RCC services in accordance with the general "Methods and Standards for Establishing Payment Rates for Non-Institutional Care" set forth in the Wisconsin State Medicaid Plan at Attachment 4.19B, section F. That section of the State Plan provides that WIDHS "will establish maximum allowable fees for the covered services listed below," and that "for each covered service, the Department shall pay the lesser of a provider's usual and customary charge or the maximum fee established by the Department." Following this introductory statement is a list of 28 service categories, including "Early and Periodic Screening, Diagnosis and Treatment (EPSDT)."

Wisconsin Medicaid established facility-specific maximum fees for RCC mental health treatment services provided as EPSDT "Other Services," consisting of two components: the Base Rate and the Support Rate. The Draft recommends disallowance of most of Wisconsin's FFP claim for both components of this rate, and Wisconsin does not concur with the Draft in either respect.

**The Draft Fails to Establish that Wisconsin's Claim for FFP in Medicaid Payments for the RCC Base Rate Violated Applicable Federal Requirements**

The Draft concludes in part that the vast majority of RCC "Base Rate costs claimed by the State agency on its CMS 64 was unallowable." Draft at page 4. WIDHS disputes this conclusion.

The Base Rate component of the RCC mental health treatment reimbursement rate takes into account the salary costs of treatment personnel, including among others youth care workers and social workers, of each RCC. No other county expenditures associated with operation of the RCC (e.g., room and board, overhead, non-treatment-related salary costs) were included in determining the Base Rate portion of the reimbursement rate. Wisconsin Medicaid established the Base Rate portion of the RCC mental health treatment reimbursement rate as a per diem rate rather than hourly (or other unit-based) rate because the mental health treatment services provided in RCCs are on-going throughout each day rather than limited to group or individual counseling sessions. Youth care workers and social workers are responsible for carrying out the treatment plan developed for each resident by mental health professionals through all of their daily contacts with the residents.

The Base Rate component of the RCC mental health treatment reimbursement rate was determined based on an estimate of the percentage of the full daily RCC billing rate paid by counties that was paid for mental health treatment services. That percentage was derived from an estimate of the portion of time youth care workers and social workers devoted to mental health treatment rather than other activities. For youth care workers, 80% of work time was estimated as devoted to treatment and 20% to maintenance; for social workers, 75% of work time was estimated as devoted to treatment and 25% to maintenance. A full explanation of the method WIDHS used to develop the Base Rate is provided in the Attachment, "Wisconsin Department of Health and Family Services 2007 Medicaid Billing Rate Methodology, HealthCheck – Other Services Initiative for Residential Care Centers" ("Rate Methodology").

During the audit, OIG questioned the basis for these percentages, and WIDHS provided the following explanation in writing:

> *Rational[e] for Splitting youth care worker salaries 80% treatment/20% maintenance.*
>
> ***
>
> Data was … gathered through interviews with staff at residential care centers in Wisconsin regarding the functions performed by youth care workers. The RCCs involved in the discussions included:
>
> Norris
> Clinicare Milwaukee
> Clinicare Eau Claire
> Clinicare Wyalusing

Homme Home
Lad Lake
Northwest Passage

Based on these discussions, review of job descriptions and review of services included in individual plans of care, it was determined that youth care workers spend their time providing life skills training and behavior modification services to youth during their waking hours. During non-waking hours these staff are providing daily supervision which would be considered part of the maintenance cost of the client. Based on staffing differentials between shifts (fewer staff during non-waking hours) it was determined that 80% of youth care worker time was devoted to treatment and 20% to maintenance.

***

*Rational[e] for Splitting social worker salaries 75% treatment/25% maintenance.*

… [I]nterviews held with social worker staff in residential care centers determined that 75% of the social worker time is spent providing treatment services versus type maintenance services. The social workers involved in the discussions were from the following RCCs:

Norris
Clinicare Milwaukee
Clinicare Eau Claire
Clinicare Wyalusing
Homme Home
Lad Lake
Northwest Passage

In addition to the interviews, … staff reviewed job descriptions and services included in individual plans of care to support the allocation of 75% providing treatment services and 25% providing maintenance type services.

The WIDHS response to OIG on this issue went on to observe that these percentages are consistent with time study results in similar residential facilities in Texas, and that a number of other states regard 100% of youth care worker time as Medicaid-reimbursable, based on the fact that overnight staff are on-call to provide services consistent with each resident's treatment plan in emergency situations.

At the time WIDHS developed the RCC Base Rate, Wisconsin Medicaid consulted with the Division of Children and Family Services (DCFS), Wisconsin's child welfare authority. The DCFS (and its successor agency Wisconsin Department of Children and Families) regulates RCCs and oversees counties in placement of youth in RCCs. As Wisconsin Medicaid developed the RCC Base Rate DCFS supported the view that it would be reasonable to have counted 100% of social worker and youth care worker time as treatment time for purposes of Medicaid reimbursement. In this regard, DCFS emphasized that for an individual youth to qualify for admission to an RCC for mental health treatment, the individual must have a serious emotional disturbance. For such individuals, almost all of their day is dedicated to treatment, even during school attendance, which along with sleep time is not counted in the methodology WIDHS employed to develop the RCC Medicaid reimbursement rate.

The Draft concludes that the vast majority of Wisconsin's claim for FFP based on the RCC Base Rate was unallowable for two reasons.

First, the Draft recommends disallowance of FFP for the RCC Base Rate because "[t]he State agency calculated the base rate portion of RCC service costs using a cost allocation methodology that did not comply with Federal requirements." Draft at page 4. As support for this position, OIG contends that "the State agency's support for these estimates did not comply with OMB Circular A-87 cost principles for documenting and allocating costs or with Medicaid requirements that payment rates and expenditures must be adequately documented." Draft at page 5.

This conclusion is unfounded because OMB Circular A-87 simply does not apply to a State's establishment of payment rates for Medicaid covered services. Federal cost allocation requirements do not apply to determining the percentage of RCC salary costs to include in the per diem RCC Medicaid payment rate.

Each State Medicaid agency is required to have an approved cost allocation plan for identifying, measuring and allocating all State agency costs incurred in support of administering Medicaid. However, excluded from this requirement are all "expenditures for ... medical vendor payments … and payments for services and goods provided directly to program recipients … ." See 42 CFR §433.34 and 45 CFR §95.505. Federal cost allocation requirements apply to state Medicaid administration costs, not to the development of Medicaid payment rates for Medicaid-covered services.

OMB Circular A-87 "establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments … ." 2 CFR § 225.5. It "establishes principles for determining the allowable costs incurred by … governmental units … ." 2 CFR § 225, Appendix A, § A.1. The principles enunciated in OMB Circular A-87 are to be "applied by all Federal agencies in determining costs incurred by governmental units under Federal awards … ." 2 CFR § 225, Appendix A, § A.3.a. OMB Circular A-87 thus applies to determining allowable costs incurred by State Medicaid agencies in administering Medicaid. However, it does not apply in determining whether reimbursement rates established by State Medicaid agencies for covered Medicaid services comply with federal requirements governing the methodologies states may use in establishing such rates.

The inapplicability of OMB Circular A-87 to the development of Medicaid service reimbursement rates is well supported in decisional precedent established by the U.S. Department of Health and Human Services' Departmental Appeals Board (DAB).

In *Missouri Department of Social Services* (DAB No. 630, March 18, 1985, Docket No. 84-159), HCFA had taken a disallowance on the basis that the cost allocation plan (CAP) allocating central services costs to certain institutions had not been approved by the Division of Cost Allocation. HCFA based its position primarily on OMB Circular A-87, arguing that the State was precluded from using central services costs in its per diem Medicaid rate calculations if it did not follow the Circular. On appeal, DAB concluded "that the OMB A-87 cost principles simply do not apply in determining what costs can be used to calculate a Medicaid reimbursement rate." Under these circumstances, "the State is charging payment of the rate as a direct cost of Medicaid. Neither OMB A-87 nor Medicaid regulations requires a state to follow CAP procedures for a governmental component which is providing services to program recipients, but not itself claiming indirect costs under a federal program."

In the *Missouri* case, the State argued that "the costs claimed (rates) were medical vendor payments and were exempt from cost allocation requirements specific to Medicaid." DAB agreed, noting that

> ... [w]hen a private provider is reimbursed for services provided under Medicaid, there is no question that the state Medicaid agency's cost in which it claims FFP is the payment made based on the per diem rate calculated for that provider. ... The difficulty is that OMB A-87 and other CAP provisions simply do not address provider reimbursement and the Medicaid regulations do not require approval of cost allocation methods used by a provider agency.

DAB concluded that "the costs charged to federal funds here are the provider payments, in the amount determined by the per diem rates, not the costs used in calculating the rates."

The DAB reached the same result in *Iowa Dept. of Human Services* (DAB No. 624, February 12, 1985, Docket No. 84-46), holding that "OMB A-87 cost principles simply do not apply in determining what costs can be used to calculate a Medicaid reimbursement rate." In *Iowa*, the DAB observed that "[t]he underlying costs used to calculate the [Medicaid reimbursement] rate are incurred by the private provider, not by the state, and Medicaid reimbursement principles apply to those costs, not OMB A-87."

In *New York State Department of Social Services* (DAB No. 1394 (1993), March 5, 1993, Docket No. A-92-35), the disallowance arose from a review of per diem rates charged for ICF/MRs by New York State. New York argued that OMB Circular A-87 "is inapplicable to this case because prior Board decisions have held that reimbursement rates are determined by methods and cost principles in each state plan rather than by the principles of OMB Circular A-87." DAB agreed that "OMB Circular A-87 does not apply directly to the calculation of reimbursement rates ... ."

Finally, in *North Carolina Dept. of Human Resources* (DAB No. 1133, February 13, 1990 Docket No. 89-162), the DAB again concluded that OMB Circular A-87 "does not apply in determining what costs can properly be used in calculating reimbursement rates for Medicaid facilities." Attempting to apply OMB Circular A-87 to reimbursement rates "confus[es] the question of what costs may be included in calculating a Medicaid reimbursement rate with the issue of what costs may be claimed under a Medicaid grant." DAB distinguished between reimbursement methodologies under which States "make payments to ... public facilities based on the applicable Medicaid rates," and those under which States "simply paid the operating costs of the facilities," and concluded that OMB Circular A-87 applies only in the latter context.

Therefore, based on the plain language of applicable federal regulations and clear and consistent precedent established by the DAB decisions referenced above, OIG's reliance on OMB Circular A-87 in its review of Wisconsin's RCC Medicaid per diem reimbursement rate is misplaced. Wisconsin's inclusion of a percentage of RCC youth care worker and social worker salaries for purpose of calculating the RCC Base Rate is not subject to cost allocation principles enunciated in OMB Circular A-87.

Second, OIG contends that most of the RCC "base rate costs" claimed by Wisconsin were "unallowable" because "the State agency's support for these estimates did not comply ... with Medicaid requirements that payment rates and expenditures must be adequately documented." Draft at page 5. See also OIG's statement in the Executive Summary at page i that "[t]he State agency's allocation methodology used estimates that it could not adequately support."

The only purported legal foundation cited in the Draft for the proposition that "payment rates" must be "documented" and "supported" appears to be a mischaracterization of the requirements of a federal regulation, 42 CFR § 447.203. The Draft erroneously paraphrases this regulation as "requir[ing] the State to maintain documentation *for* payment rates and make it available to HHS on request." Draft at page 4 [emphasis added]. In fact, 42 CFR § 447.203(a) merely provides that "[t]he agency must maintain documentation *of* payment rates and make it available to HHS upon request." [Emphasis added.] In the context of the recommended disallowance in this case, the significance of the difference between the words "for" and "of" cannot be overstated. While it is beyond dispute that a State must maintain documentation of its "actual expenditures" for Medicaid-covered services, see Form CMS-64, that requirement in no way implies a State must document that its expenditure for any particular service does not exceed the cost the provider incurred in rendering the service.

OIG would have it that 42 CFR §447.203 requires States to maintain documentation establishing that Medicaid payment rates for a particular service do not exceed a reasonable estimate of the cost of providing that service, while in fact all the regulation requires is that States maintain documentation of what those payment rates *are*. Wisconsin clearly meets the requirement of 42 CFR §447.203 that it "maintain documentation of payment rates and make it available to HHS upon request."

None of the foregoing discussion is meant to suggest that there are no applicable upper limits to Medicaid payment rates. Each State's Medicaid Plan must "... provide such methods and procedures relating to ... the payment for, care and services ... as may be necessary ... to assure that payments are consistent with efficiency, economy, and quality of care ... ." Social Security Act §1902(a)(30)(A). Furthermore, there are specific upper limit tests that are applicable to Medicaid payment rates for specific categories of services. Outpatient hospital and clinic service payment rates are subject to aggregate upper limits based on Medicare reimbursement principles. 42 CFR §447.321. For "[o]ther inpatient and outpatient facility services," federal regulations provide that "[t]he agency may pay the customary charges of the provider but must not pay more than the prevailing charges in the locality for comparable services under comparable circumstances." 42 CFR §447.325. However, OIG fails to suggest which if any of these or other upper limit tests applies to Wisconsin's RCC Base Rates, much less analyze whether the RCC Base Rates set by Wisconsin meet the applicable test.

Underlying OIG's contention that WIDHS must provide documentation *for* the Base Rate component of its RCC Medicaid per diem payment rate seems to be an assumption that the Medicaid payment rate cannot exceed what the county pays for the portion of the services rendered in an RCC that is Medicaid reimbursable. That assumption is directly contrary to the Congressional directive that US DHHS not limit Medicaid payments to public providers to the cost of providing the service in question. American Recovery and Reinvestment Act of 2009, P.L. 111-5, § 5003(d)(1). In response to that directive, US DHHS issued final regulations (75 *Federal Register* 73972) removing earlier proposed (72 *Federal Register* 2236) and final (72 *Federal Register* 29748) regulations which would have limited Medicaid reimbursement for services rendered by providers operated by units of government to the "individual provider's cost of providing covered Medicaid services."

The government services rule further would have authorized the Secretary of HHS to determine "reasonable methods of identifying and allocating costs to Medicaid," and have required that "[f]or non-hospital and non-nursing facility services, Medicaid costs must be supported by auditable documentation in a form approved by the Secretary." See proposed 42 CFR §447.206(c)(1), (2) and (4), at 72 FR 2246. Given the fact that RCC services for which Wisconsin is claiming FFP are provided through and funded by county agencies, OIG's assertion that WIDHS must document the cost

of providing those services as a condition of receiving FFP flies in the face of the Congressional directive that HHS is not to limit reimbursement of governmentally-provided services to cost.

The now-repealed government services rule also imposed restrictions on Medicaid reimbursement in situations where, as in the case of Wisconsin's reimbursement of RCC services, the non-federal share of Medicaid reimbursement was to be funded through certified public expenditures (CPE). See proposed 42 CFR §447.206(d), at 72 FR 2246-7. Among other things, the rule would have required providers to submit an annual report to the State Medicaid agency reflecting the individual provider's cost of serving Medicaid patients, and would have required States to reconcile their Medicaid payments to those cost reports. As noted above, CMS subsequently withdrew this rule under Congressional directive. Nevertheless, the premise underlying OIG's recommended disallowance is in line with the withdrawn rule: i.e., that where a State uses CPE as the non-federal share of Medicaid expenditures, the State must maintain documentation of the provider's actual cost of providing the service in question.

For the reasons set forth above, the Draft fails to establish that Wisconsin's claim for FFP in Medicaid payments for the RCC Base Rate violated applicable Federal requirements

**The Draft Fails to Establish that Wisconsin's Claim for FFP in Medicaid Payments for the RCC Support Rate Violated Applicable Federal Requirements**

The OIG Draft Audit Report concludes in part that the vast majority of RCC "administrative rate costs claimed by the State agency on its CMS 64 as 'other practitioner services' was unallowable." Draft at 6. WIDHS disputes this conclusion.

The portion of the RCC Medicaid payment rate the Draft identifies as "administrative rate costs" in fact represents the Support Rate component of the RCC service payment rate. The Support Rate component of the RCC rate takes into account overhead costs RCCs incur in connection with the "provision of a therapeutic milieu and the implementation of an individualized treatment plan." See Attachment, "Wisconsin Department of Health and Family Services 2007 Medicaid Billing Rate Methodology, HealthCheck – Other Services Initiative for Residential Care Centers," at page 3. As made clear in Wisconsin's Reimbursement Methodology, "[t]hese support costs are not 'administrative costs' as defined by Medicaid rather, they are Medicaid EPSDT implementation costs." *Id.*

The Support Rate component of Wisconsin's Medicaid payment rate for RCC mental health treatment services is part of the provider reimbursement rate for provision of the services. The Draft's reference to the Support Rate as "administrative costs" is a mischaracterization.

The Draft offers two different bases for its conclusion that the FFP claimed for Medicaid payments for the RCC Support Rate component is unallowable. Both are unfounded.

First, OIG questions whether "these separate administrative costs are allowable under CMS's claiming policy as set forth in its December 20, 1994, State Medicaid Director Letter (Subject: allowable administrative costs)" (SMDL). The SMDL is wholly irrelevant to Wisconsin's claim of FFP for the Support Rate component of Medicaid payments for RCC mental health treatment services.

For the most part, the SMDL merely distinguishes between costs eligible for FFP as Case Management (CM) service costs versus Administrative Case Management (ACM) administrative costs. None of that discussion has any relevance to the Support Rate component of Wisconsin's RCC Medicaid payment rate. The RCC Medicaid payment rate is for the provision of Medicaid-covered mental health treatment services under the rehabilitative services benefit category; it is neither CM nor ACM. Case management services are "services furnished to assist individuals, eligible under the State plan who reside in a community setting or are transitioning to a community setting, in gaining access to needed medical, social, educational, and other services … ." 42 CFR §440.169(a). The RCC mental health treatment services for which Wisconsin claims FFP are "rehabilitative services," not case management services. "Rehabilitative services … include[ ] any medical or remedial services recommended by a physician or other licensed practitioner of the healing arts, within the scope of his practice under State law, for maximum reduction of physical or mental disability and restoration of a beneficiary to his best possible functional level. 42 CFR §440.130(d); see also Social Security Act §1905(a)(13). "Case management does not include … services … when the … activities constitute the direct delivery of underlying medical, educational, social, or other services to which an eligible individual has been referred … ." 42 CFR §441.18(c). The mental health treatment services offered in Wisconsin RCCs are by definition not CM services, because they "constitute the direct delivery of underlying medical … services."

Nor does Wisconsin's FFP claim for the Support Rate component of its RCC Medicaid reimbursement rate represent a claim for ACM. ACM includes certain case management activities undertaken by or on behalf of the State Medicaid agency, including Medicaid eligibility determinations and redeterminations, Medicaid intake processing, Medicaid preadmission screening for inpatient care, prior authorization for Medicaid services, utilization review, and outreach activities to inform or persuade beneficiaries or potential beneficiaries to enter into care through the Medicaid system. SMDL at page 3; see also *State Medicaid Manual*, §4302. The RCC provider activities included in the Support Rate are not ACM. Rather, they are activities undertaken by the RCC that directly relate to the provision of mental health treatment services in the RCC and claiming Medicaid reimbursement for those services; i.e., they represent provider overhead incurred solely in connection with providing Medicaid-covered services and billing Medicaid for reimbursement for those services.

Aside from distinguishing between CM and ACM activities, the SMDL goes on to reiterate the basic and longstanding principles that govern the determination of what costs are properly regarded as administrative costs in States' claims for FFP at the applicable administrative rate. In this regard, the SMDL sets forth the familiar tenet that administrative costs must be "found necessary by the Secretary for the proper and efficient administration of the State plan." SMDL at page 4; see also Social Security Act, §1903(a)(7).

The SMDL then lays out several principles that "reflect determinations made by HCFA in applying this policy." SMDL at pages 4-6. Among these principles is the admonition that an allowable administrative cost "may not include the overhead costs of operating a provider facility." SMDL at page 5. Though the Draft does not directly cite this passage of the SMDL, the substance of the analysis suggests the passage might have been at least part of the reason the Draft cited the SMDL at all. The crucial point here, however, is that while the Support Rate component of Wisconsin's RCC Medicaid reimbursement rate does in fact take into account overhead costs incurred by an RCC in participating in the RCC Medicaid benefit, FFP for the Support Rate component is claimed by Wisconsin as part of "the total amount expended … as medical assistance" (i.e. as a service cost) under Social Security Act, §1903(a)(1), not as a cost of Medicaid administration.

Second, in addition to citing the SMDL, the Draft bases its recommendation that FFP for the RCC Support Rate be disallowed on the argument that "[b]ecause Medicaid providers have agreed to accept service payment as payment in full, such providers may not claim an additional cost as an administrative cost under the State plan." Draft at pages 4 and 6. This position is unsupportable, for two reasons.

Initially, as established above, the RCC Support Rate is not "claimed as an administrative cost under the State plan." It is claimed as a component of the reimbursement rate for provision of RCC mental health treatment services.

Moreover, to the extent the Draft intends to suggest that the "payment in full" principle prohibits a State from claiming FFP for overhead costs incurred by a provider in connection with Medicaid-covered services *at all* (i.e., either as a Medicaid administrative or service expenditure), there is simply no foundation in law for such an assertion. The "payment in full" requirement provides that the State Medicaid agency "must limit participation in the Medicaid program to providers who accept, as payment in full, the amounts paid by the agency … ." 42 CFR §447.15. This rule prohibits Medicaid providers from seeking reimbursement, in addition to Medicaid payments, for Medicaid services. It does not preclude a State Medicaid agency from taking into account a provider's overhead costs in setting Medicaid payment rates. As noted in the preceding section of these comments, federal laws governing the amounts States may pay for Medicaid services provide that Medicaid payments must be "consistent with efficiency, economy, and quality of care." Social Security Act § 1902(a)(30)(A). As also noted above, there are more specific requirements that apply these general principles to particular classes of services, such as inpatient and outpatient hospital services, clinic services, and "[o]ther inpatient and outpatient facility services," see 42 CFR §§ 447.321 and 447.325. However, none of these provisions prohibits a State, in setting the Medicaid payment rates for a Medicaid-covered service, from taking into account overhead costs a provider incurs in rendering the service and seeking Medicaid reimbursement for it. The Draft cites no authority for such a proposition, and none exists.

For the reasons set forth above, the Draft fails to establish that Wisconsin's claim for FFP in Medicaid payments for the RCC Support Rate violated applicable Federal requirements

**Conclusion**

For the reasons set forth above, WIDHS does not concur with the Draft's recommendation that Wisconsin refund the vast majority of FFP it claimed for RCC Medicaid payments made during the audit period. The Draft has failed to establish any grounds for concluding that any part of Wisconsin's claim for FFP in Medicaid expenditures for mental health treatment services provided in RCCs should be disallowed. The authorities cited by OIG in support of its recommendation are inapplicable to the Medicaid payment rate set by Wisconsin for RCC services.

OIG's analysis belies a fundamental misunderstanding of Wisconsin's RCC Medicaid payment methodology. First, OIG perceives that the methodology it is based on cost reimbursement rather than a maximum fee. Second, OIG views the Support Rate component of the RCC rate as Medicaid cost of administration rather than services.

OIG failed to analyze the appropriateness of Wisconsin's RCC Medicaid payment methodology under applicable principles of federal law relating to efficiency, economy, quality and access to services. Wisconsin's RCC service reimbursement methodology yields a reasonable payment rate that is

consistent with efficiency and economy and sufficient to enlist enough providers to guarantee access to care. Each youth who receives mental health services in RCCs has severe emotional disturbance that requires consistent application of a behavior treatment plan throughout the day and night by youth care workers and social workers who participate in the development of the plan and are trained in its implementation. Including a substantial portion of their salaries in the RCC Medicaid reimbursement rate is not unreasonable.

Thank you for the opportunity to comment.

Sincerely,

K. Rhoades

Kitty Rhoades
Secretary

Attachment

**Wisconsin Department of Health and Family Services**
**2007 Medicaid Billing Rate Methodology**
**HealthCheck - Other Services Initiative for Residential Care Centers**

During the HealthCheck/Other Services Initiative for Residential Care Centers (RCC), we calculated the Medicaid billing rates for participating RCCs. The Medicaid billing rate is comprised of two components, the HealthCheck base rate and the HealthCheck Support Costs. The base rate is the portion of the facility's published daily rate for Medicaid covered treatment services. The Support Costs are additional costs directly related to the provision of a therapeutic milieu and the implementation of an individualized treatment plan. These support costs are not "administrative costs" as defined by Medicaid rather, they are Medicaid EPSDT implementation costs.

To calculate the Medicaid Billing rate for participating RCCs, the most recent financial information available to the State for each facility was utilized. To calculate the 2007 rates, financial information from 2005 was used. In most cases the data was located within the facility's (or agency's) 2005 annual independent audit report. In several cases the facility (or agency) was contacted directly for necessary information.

The procedures below were followed to calculate 2007 Medicaid Billing rates.

**HealthCheck Base Rate**

Using the 2005 financial information, the 2005 Medicaid percentage of total costs was calculated. This percentage was then applied to the 2007 published rate to calculate the 2007 HealthCheck Base rate. The Residential Rate Setting spreadsheet was used to calculate the percentage.

To calculate the 2005 Medicaid percentage each facility's 2005 expenses were data entered into a Residential Rate Setting spreadsheet. The Residential Rate Setting spreadsheet is separated into four columns:

1. Support
2. Maintenance (IV-E)
3. Treatment (Title XIX)
4. Education
5. Unallowable

The rows of the Residential Rate Setting spreadsheet are:

1. Salaries
    a. Management
    b. Plant/Maintenance
    c. Medical
    d. Clothes and Personal Staff
    e. Dietary
    f. Title XIX
    g. Education
    h. Recreation
    i. Youth Care
    j. Social Workers

2. Operating Expenses
3. Plant/Maintenance
4. Food
5. Clothing
6. Travel and Transportation
7. Contract Social Services
8. Foster Care
9. Other

Each expense listed in the audit report was data entered into the spreadsheet by cross matching a column category with a row category. For example, an expense for medical supplies would be data entered under the Treatment column and the Operating Expenses row.

Many of the annual independent audit reports did not provide the expense detail needed to accurately allocate the salary, payroll tax and employee benefit expenses. To ensure the determination of the breakout is as accurate as possible, a request was sent to each participating facility requesting a breakout of these expenses into the 10 salary categories listed in the Residential Rate Setting sheet.

Additional notes for the Residential Rate setting spreadsheet:

- The youth care worker salaries were allocated 80% to treatment and 20% to maintenance. Similarly, the social worker salaries were allocated 75% to treatment and 25% to maintenance.
- Costs entered into the Residential Rate Setting spreadsheet excluded the additional cost incurred by the facility to implement the HealthCheck/Other Services initiative.
- The Medicaid percentage was calculated by dividing the Treatment total by the total of all costs minus administrative cost.
- The IV-E percentage was calculated by dividing the Maintenance (IV-E) total by the total of all costs minus administrative cost.

After entering all costs into the Residential Rate Setting spreadsheet, (excluding those cost incurred by the facility to implement the HealthCheck/Other Services initiative), the 2005 calculated Medicaid percentage for each facility was data entered into the 2007 Medicaid Billing Rate spreadsheet.

The 2007 Medicaid Billing Rate spreadsheet column labeled "2007 HealthCheck Base Rate" is a calculation column. The result displayed in this column is the 2007 Published rate multiplied by the 2005 Medicaid percentage.

**Support Costs**

To calculate the 2007 Support Costs, 2005 information for each facility was data entered into the 2007 Medicaid Billing Rate spreadsheet. The columns used in this spreadsheet to calculate the 2007 Support Costs are described below:

2005 HealthCheck Expenses: Each facility provided a schedule of 2005 HealthCheck expenses that excluded all costs except those incurred by the facility to implement the initiative. These costs were data entered into this column. These costs directly relate to the provision of a therapeutic milieu and the implementation of an individualized treatment plan.

Paid Claims for 2005 Dates of Service (DOS): The number of paid claims for the facility for 2005 (DOS) were entered into this column.

2007 Support Costs: This is a calculation column. This is the 2005 HealthCheck Expenses divided by the number of paid claims for 2005 DOS. If there were no 2005 HealthCheck Expenses to calculate the Support Costs the 2007 Published Rate was multiplied by 8%.

**2007 Medicaid Billing Rate**

In the 2007 Medicaid Billing Rate spreadsheet, the column headed "2007 HC Medicaid Billing Rate" calculated the 2007 Billing rate by adding the 2007 HealthCheck Base Rate and the 2007 Support Costs. The 2007 Medicaid Billing rate is the per diem amount to be billed to Medicaid for 2007 dates of service.

The columns of the 2007 Medicaid Billing Rate spreadsheet are:

Facility/Program: RCC Name.

Medicaid Provider Number: Medicaid assigned provider ID.

Modifier: Modifier assigned to the facility/program.

FY 2007 Published Rate: Per diem rate the facility is charging the county (as provided by Thomas Smith at DHFS).

2005 Medicaid Percentage: Medicaid percentage calculated using the Residential Rate Setting spreadsheet.

2007 HealthCheck Base Rate: 2007 Published Rate multiplied by the 2005 Medicaid Percentage.

2005 HealthCheck Expenses: Total 2005 cost of implementing HealthCheck/Other Services Initiative as reported by the facility.

Paid Claims for 2005 DOS: Total number of paid claims for 2005 dates of service (as of remittance dated 12/31/2006).

2007 Support Costs: 2005 HealthCheck Expenses divided by Paid Claims for 2005 DOS. If there were no 2005 HealthCheck expenses we multiplied the 2007 Published rate by 8%. These support costs are additional costs directly related to the provision of a therapeutic milieu and the implementation of an individualized treatment plan. These support costs are not "administrative costs" as defined by Medicaid rather, they are Medicaid EPSDT implementation costs.

2007 HC Medicaid Billing Rate: 2007 HealthCheck Base Rate plus 2007 Support Costs

Additional notes for the 2007 Medicaid Billing Rate Spreadsheet:

- Facilities with multiple programs (Eau Claire Academy, ODTC, NWP, St. Aemelian & Wyalusing Academy), did not provide HealthCheck expense information broken out by program. For these facilities, 2005 HealthCheck expenses and paid claims for all programs were combined for calculation of the 2007 Support costs.
- The number of 2005 paid claims is the number of claims paid for 2005 dates of service as of claim remittances dated 12/31/2006.
- 2007 support costs for Benet Lake, St. Charles and Youth Treatment Center of Washington County were set at 8% of the facility's 2007 published rate. These facilities were not participating at the start of the HealthCheck/Other Services Initiative. The support costs for these facilities will continue to be set at 8% of the published rate until they have had a full year of participation in which to establish actual costs and the reporting of those costs becomes available. This is consistent with the method used to calculate support costs for all facilities prior to 8/1/2006.