

Audit Report

**Managed Care Claims
Submitted by Cook
Children's Home Health
and Paid by Cook
Children's Health Plan**

**A Texas Medicaid Durable Medical
Equipment and Supplies Provider**



**Inspector
General**

**Texas Health
and Human Services**

**September 30, 2021
OIG Report No. AUD-22-002**

TABLE OF CONTENTS

INTRODUCTION	1
AUDIT RESULTS	5
DELIVERY DOCUMENTATION AND QUANTITIES	6
<i>Issue 1: Requirements for Documentation and Deliveries.....</i>	<i>7</i>
Recommendation 1a.....	8
Recommendation 1b.....	9
DUPLICATE CLAIMS AND DELIVERIES	10
<i>Issue 2: Duplicate Claims and Deliveries</i>	<i>10</i>
Recommendation 2a.....	10
Recommendation 2b.....	11
CONCLUSION.....	12
APPENDICES	13
<i>A: Detailed Methodology</i>	<i>13</i>
<i>B: Abbreviations</i>	<i>15</i>
<i>C: Report Team and Distribution</i>	<i>16</i>
<i>D: OIG Mission, Leadership, and Contact Information</i>	<i>18</i>

INTRODUCTION

The Texas Health and Human Services (HHS) Office of Inspector General Audit and Inspections Division (OIG Audit) conducted an audit of durable medical equipment (DME) at Cook Children's Home Health. The audit focused on managed care claims submitted to and paid by Cook Children's Health Plan, a Texas Medicaid managed care organization (MCO).

Cook Children's Health Plan provides health care to Texas Medicaid members in the Tarrant service delivery area¹ through the State of Texas Access Reform (STAR) program, STAR Kids, and the Children's Health Insurance Program (CHIP).

Cook Children's Home Health provides DME and supplies to children ages 20 and younger. Through its Medicaid provider contract with Cook Children's Health Plan, Cook Children's Home Health received Texas Medicaid reimbursements of \$13.6 million for DME and supplies delivered to 8,242 Medicaid beneficiaries during the two-year audit scope period from September 1, 2018, through August 31, 2020.

Unless otherwise described, any year referenced is the state fiscal year, which covers the period from September 1 through August 31. For state fiscal year 2019, the period is September 1, 2018, through August 31, 2019. For state fiscal year 2020, the period is September 1, 2019, through August 31, 2020.

Background

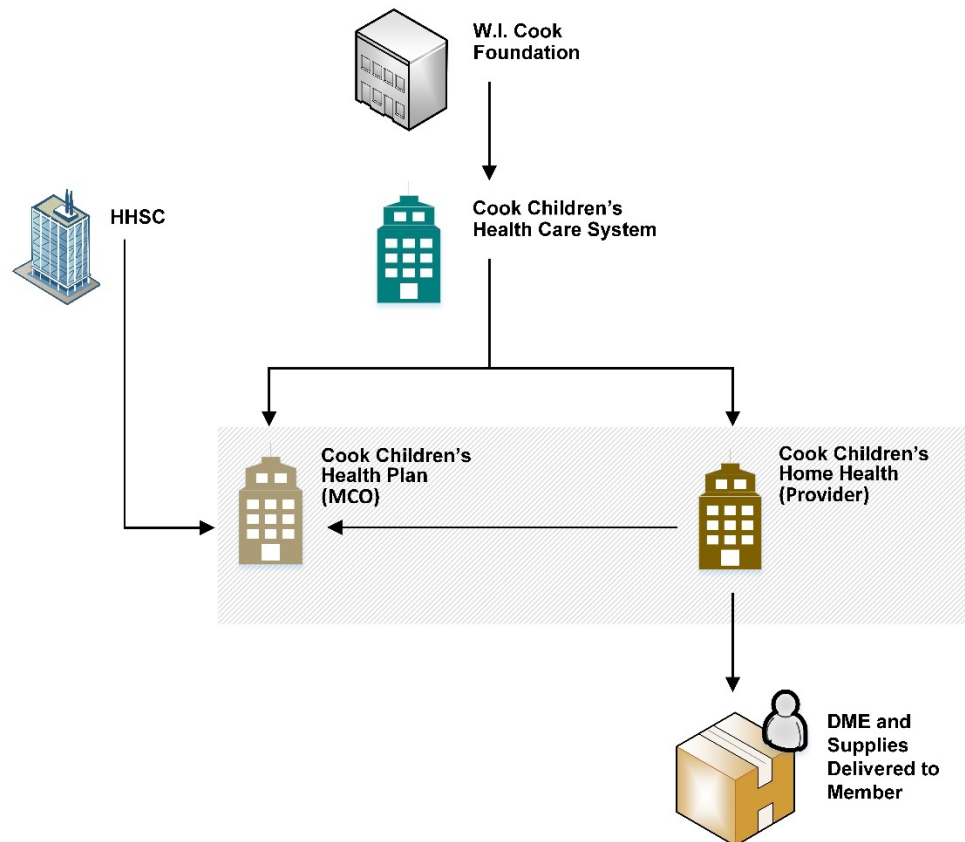
Cook Children's Home Health is a managed care network DME and supplies provider contracted with Cook Children's Health Plan. Cook Children's Home Health and Cook Children's Health Plan are affiliates, and both are (a) subsidiaries of the W.I. Cook Foundation and (b) supported by the Cook Children's Health Care System, which provides administrative and management functions.

Under the managed care model, MCOs receive a capitation payment for each member enrolled, based on historical expenses by populations served. Capitation payments are monthly prospective payments the Texas Health and Human Services Commission (HHSC) makes to MCOs for the provision of covered services. HHSC makes capitation payments to MCOs at fixed, per member per month rates based on members' associated risk groups.

¹ The counties in the Tarrant service delivery area are Denton, Hood, Johnson, Parker, Tarrant, and Wise.

Figure 1 illustrates the business relationships involved in Cook Children's Home Health's delivery of DME and supplies to Cook Children's Health Plan's members enrolled in Medicaid and CHIP. The shaded section designates areas related to DME and supplies claims payment, which was the scope of this audit.

Figure 1: DME and Supplies Delivery Process Through Cook Children's Home Health



Source: OIG Audit

Objective and Scope

The objective of the audit was to determine whether documentation to support the authorization and delivery of DME and supplies associated with Medicaid claims submitted by and paid to Cook Children's Home Health by Cook Children's Health Plan existed and was completed in accordance with applicable state laws, rules, and guidelines.

The audit scope includes paid DME and supplies claims with dates of service from September 1, 2018, through August 31, 2020, as well as a review of relevant activities, internal controls, and information technology (IT) general controls in place through the end of fieldwork.

The audit included a review of Cook Children’s Home Health’s internal controls as well as testing of controls that were significant within the context of the audit objective.

Methodology

Auditors reviewed supporting documentation for a sample of 90 DME and supplies claims paid to Cook Children’s Home Health by Cook Children’s Health Plan. Documents reviewed included order forms signed by the prescribing physician, prior authorization approvals from Cook Children’s Health Plan, documentation of members’ physician visits, and delivery documentation. Auditors also tested a risk-based, non-statistical sample of 15 DME and supplies claims² to determine whether those claims were associated with duplicate payments or deliveries. Details about the sampling methodology are given in Appendix A.

OIG Audit presented preliminary audit results, issues, and recommendations to Cook Children’s Home Health in a draft report dated September 9, 2021. Cook Children’s Home Health agreed with the audit recommendations and indicated corrective actions would be implemented by November 30, 2021. Cook Children’s Home Health’s management responses are included in the report following each recommendation.

Criteria

OIG Audit used the following criteria to support the issues included in the report:

- 1 Tex. Admin. Code § 371.1667 (2016)
- Texas Medicaid Provider Procedures Manual, Vol. 1 (2018 through 2020)
- Texas Medicaid Provider Procedures Manual, Vol. 2, “Durable Medical Equipment, Medical Supplies, and Nutritional Products Handbook” (2018 through 2020)³

² When referencing the test of 15 duplicate claims, “claims” refers to individual claim items.

³ Providers delivering DME via managed care must comply with the guidelines set by each MCO. Cook Children’s Health Plan confirmed it requires Cook Children’s Home Health to follow the Texas Medicaid Provider Procedures Manual, Vol. 2, “Durable Medical Equipment, Medical Supplies and Nutritional Products Handbook” for the requirements tested in this audit.

Auditing Standards

Generally Accepted Government Auditing Standards

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.

AUDIT RESULTS

For most claims tested, supporting documentation was complete and met requirements. Cook Children's Home Health had processes and controls to support the authorization and delivery of DME and supplies associated with claims paid by Cook Children's Health Plan. Cook Children's Home Health ensured that selected DME and supplies claims were authorized by Cook Children's Health Plan unless Cook Children's Health Plan indicated prior authorization was not required. Documentation supported that members were seen by a physician within six months prior to the start of service.⁴

In addition, all claims tested were for members not residing in a hospital or a facility at the time of delivery. Cook Children's Home Health also ensured that no prescribing physicians were listed in the United States Department of Health and Human Services Office of Inspector General exclusions database.

However, Cook Children's Home Health did not always comply with requirements for documentation, deliveries, and duplicate claims. Specifically, of a statistically valid random sample of 90 DME and supplies claims tested:

- Two did not include a signature from the member or caregiver on the documents to confirm receipt of deliveries made by Cook Children's Home Health.
- One was for a quantity greater than the quantity ordered and authorized.

In addition, for a risk-based, non-statistical sample of 15 DME and supplies claims, 4 were determined to be overpayments because, in these instances, Cook Children's Home Health erroneously submitted and was paid for a total of eight DME and supplies deliveries claims when only four deliveries were authorized.

⁴ To test whether members were seen prior to the start of service, auditors verified whether the physician visit occurred within six months prior to (a) the date the physician signed the order form for DME and supplies or (b) the start date of the prior authorization period.

Cook Children’s Home Health received payments for unsupported claims totaling \$3,429.32. Table 1 details the findings identified in this report. The total exceptions and recoupment column includes each claim for recoupment only once, regardless of the total number of times an exception was noted on the claim. The total exceptions column includes the number of claims in exception for each issue, and each claim is included only once.

Table 1: Summary of Exceptions

Issue	Total Exceptions and Recoupment (Dollars)	Total Exceptions (Claims)
Delivery Documentation Signatures	\$2,512.40	2
Delivery Quantities	11.10	1
Duplicate Claims and Deliveries	905.82	4
Total	\$3,429.32	7

Source: *OIG Audit*

DELIVERY DOCUMENTATION AND QUANTITIES

DME and supplies providers must maintain and retain all necessary documentation to fully document the supplies provided and delivered to a member with Texas Medicaid coverage and the medical necessity of those supplies.⁵ In addition, to be eligible for reimbursement, claims must be for medically necessary services.⁶

According to the Texas Medicaid Provider Procedures Manual (TMPPM) Durable Medical Equipment, Medical Supplies, and Nutritional Products Handbook, as confirmation that DME and supplies were shipped and delivered, delivery documentation must include (a) a delivery slip or corresponding invoice signed and dated by the applicable member or caregiver or (b) a dated carrier tracking document⁷ with the shipping and delivery dates printed from the carrier’s website.⁸ DME and supplies are delivered to members directly by Cook Children’s Home Health or through a third-party shipping carrier.

⁵ Texas Medicaid Provider Procedures Manual, Vol. 1, §§ 1.6.3 (Sept. 2018 through Feb. 2020) and 1.7.3 (Mar. 2020 through Aug. 2020).

⁶ 1 Tex. Admin. Code § 371.1667(4)(D) (May 1, 2016) states, “A person is subject to administrative actions or sanctions if the person fails to make, maintain, retain, or produce documentation sufficient to demonstrate compliance with any federal or state law, rule, regulation, contract, Medicaid or other HHS policy, or professional standard in order to establish medical necessity, medical appropriateness, or adherence to the professional standard of care related to services or items provided.”

⁷ The dated carrier tracking document would be associated with a third-party shipping carrier, such as FedEx.

⁸ Texas Medicaid Provider Procedures Manual, Vol. 2, “Durable Medical Equipment, Medical Supplies, and Nutritional Products Handbook,” §§ 2.2.3 (Sept. 2018 through May 2020) and 2.2.4 (June 2020 through Aug. 2020).

In addition, claims submitted for medical supplies must include the same quantities or units that are documented on the delivery slip or corresponding invoice and on the applicable order form.⁹

OIG Audit verified with Cook Children's Health Plan that it expects Cook Children's Home Health to comply with these requirements.

Issue 1: Requirements for Documentation and Deliveries

While Cook Children's Home Health maintained delivery documentation and correctly delivered quantities for most claims tested, two claims tested were not signed by the member or caregiver, and one claim was delivered for the incorrect quantity.

Signatures Required for Delivery Documents

Cook Children's Home Health did not always ensure delivery documentation was signed. Specifically, delivery documents to confirm receipt of deliveries made by Cook Children's Home Health were not signed by the member or caregiver for 2 of 90 (2.2 percent) DME and supplies claims tested.

According to Cook Children's Home Health, its staff obtained member signatures upon delivery but did not retain signed copies of the delivery documents. Maintaining records to ensure members or caregivers sign for DME and supplies helps to ensure that the needed supplies have been received. The two unsupported claims totaled \$2,512.40.

Quantities Delivered

Cook Children's Home Health did not always deliver quantities as ordered and authorized. The quantity delivered as stated on the delivery documentation was greater than the quantity ordered and authorized for one of 90 (1.1 percent) DME and supplies claims tested. Specifically, the ordering physician requested 223 units of nutritional supplies, and Cook Children's Health Plan authorized 223 units. However, the delivery documentation for the order stated that 233 units were delivered.

According to Cook Children's Home Health, the incorrect quantity was entered in its system when the delivery was being processed. Delivery of incorrect quantities can result in care issues for members or waste of Medicaid funds. Cook Children's Home Health was overpaid \$11.10 for the claim.

⁹ Texas Medicaid Provider Procedures Manual, Vol. 2, "Durable Medical Equipment, Medical Supplies, and Nutritional Products Handbook," §§ 2.2.3 (Sept. 2018 through May 2020) and 2.2.4 (June 2020 through Aug. 2020).

Recommendation 1a

Cook Children's Home Health should strengthen its controls to ensure that:

- Delivery documents are signed by the member or caregiver for all deliveries and signature records are retained
- Deliveries are processed with the correct delivery amounts

Management Response

Action Plan for Unsigned Delivery Documentation

- *Policy to be created directing signature requirements for all tickets.*
- *Audit of all tickets/deliveries to validate that a signature was completed*
- *Provide staff education.*

Responsible Manager for Unsigned Delivery Documentation

Director of Home Health Medical Delivery and Supply Services

Target Implementation Date for Unsigned Delivery Documentation

Policy to be created by October 31, 2021

Audit of all tickets being completed by October 31, 2021

Education with all staff regarding tickets signed by November 30, 2021

Action Plan for Incorrect Quantities Delivered

- *Ticket verification process validation in which individual checks orders against authorization and validation.*
- *Staff education*

Responsible Manager for Incorrect Quantities Delivered

Director of Reimbursement

Assistant Vice President of Pharmacy and Clinical Operations

Target Implementation Date for Incorrect Quantities Delivered

Process to be created by October 31, 2021

Education with all staff regarding verification of tickets by October 31, 2021

Recommendation 1b

Cook Children's Home Health should repay \$2,523.50 to the state of Texas, which consists of:

- \$2,512.40 for two claims that did not include a signature from the member or caregiver on the documents to confirm receipt of deliveries made by Cook Children's Home Health.
- \$11.10 for one claim that stated a quantity on the delivery documentation was greater than the quantity ordered and authorized.

Management ResponseAction Plan

Check to be issued for amount \$2,523.50

Responsible Manager

Assistant Vice President of Finance

Target Implementation Date

60 Days from date final letter received from OIG

DUPLICATE CLAIMS AND DELIVERIES

Duplicate claims and deliveries can occur when DME and supplies are delivered and paid more than once without a correction to the billing. To be eligible for reimbursement, claims must be for medically necessary services.¹⁰

Issue 2: Duplicate Claims and Deliveries

For 4 of 15 (26.7 percent) DME and supplies claims tested, Cook Children's Home Health erroneously submitted and was paid for a total of eight DME and supplies deliveries claims when only four deliveries were authorized. The 15 claims were selected for testing based on a risk analysis of potential duplicate claims or deliveries.

According to Cook Children's Home Health, three of the duplicate claims occurred because a member requested a correction to the first delivery. When this occurs, the original claim should be reversed when the new delivery is made; however, for these three claims, the original claims were not corrected after the second delivery was made. For the remaining error, the work order was entered and delivered twice. Cook Children's Home Health was overpaid \$905.82 for the four claims. Delivery of incorrect items or quantities could result in quality of care issues for members or waste of Medicaid funds.

Recommendation 2a

Cook Children's Home Health should strengthen its controls to ensure that duplicate claims and deliveries are corrected.

Management Response

Action Plan

- *Policy created to ensure reversal of billing is being done when parents call to state they haven't received the product.*
- *Staff education*
- *Report created to be ran monthly to identify and eliminate duplicate billing*

Responsible Manager

*Director of Reimbursement
Director of Home Health Medical Delivery and Supply Services*

¹⁰ 1 Tex. Admin. Code § 371.1667(4)(D) (May 1, 2016).

Target Implementation Date

- *Policy to be completed by October 31, 2021*
- *Education with all staff by November 30, 2021*
- *Audit report being completed monthly by November 30, 2021*

Recommendation 2b

Cook Children's Home Health should repay \$905.82 to the state of Texas for the duplicate claims and deliveries erroneously billed to Cook Children's Health Plan.

Management ResponseAction Plan

Check to be issued for amount \$905.82

Responsible Manager

Assistant Vice President of Finance

Target Implementation Date

60 Days from date final letter received from OIG

CONCLUSION

Cook Children's Home Health had processes and controls to ensure most required documentation was complete and met requirements to support the authorization and delivery of DME and supplies associated with claims paid by Cook Children's Health Plan. Cook Children's Home Health ensured that DME and supplies claims tested were authorized by Cook Children's Health Plan unless Cook Children's Health Plan indicated prior authorization was not required. Documentation supported that members were seen by a physician within six months prior to the start of service. In addition, (a) all claims tested met requirements for home health services and were for members not residing in a hospital or a facility and (b) prescribing physicians were eligible to contract with Cook Children's Home Health.

However, Cook Children's Home Health did not consistently comply with requirements for documentation and deliveries for 3 of 90 DME and supplies claims selected for testing in a statistically valid random sample. Specifically:

- Two claims did not include a signature from the member or caregiver on the documents to confirm receipt of deliveries made by Cook Children's Home Health.
- One claim stated a quantity on the delivery documentation that was greater than the quantity ordered and authorized.

In addition, of 15 DME and supplies claims tested in a non-statistical, risk-based sample, Cook Children's Home Health erroneously submitted and was paid for a total of eight DME and supplies deliveries claims when only four deliveries were authorized.

OIG Audit offered recommendations to Cook Children's Home Health, which, if implemented, will further ensure:

- Delivery documents are signed by the member or caregiver for all deliveries, signature records are retained, and deliveries are processed with the correct delivery amounts.
- Duplicate claims and deliveries are corrected.

Cook Children's Home Health should return \$3,429.32 in overpaid or unsupported claims to the state of Texas.

OIG Audit thanks management and staff at Cook Children's Home Health for their cooperation and assistance during this audit.

Appendix A: Detailed Methodology

OIG Audit examined paid DME and supplies claims for dates of service from September 1, 2018, through August 31, 2020, and reviewed relevant activities, internal controls, and IT general controls in place through the end of fieldwork in August 2021. After an initial risk assessment, OIG Audit performed testing from the population of paid DME and supplies claims.

OIG Audit also reviewed Cook Children's Home Health's system of internal controls, including components of internal control,¹¹ within the context of the audit objectives.

Data Reliability

OIG Audit assessed the reliability of data by tracing paid claims submitted by Cook Children's Health Plan to supporting documents for claims submitted by Cook Children's Home Health. Auditors also determined that user access controls over Cook Children's Home Health's claims system were appropriate. As such, OIG Audit determined that the data was sufficiently reliable for the purpose of this audit.

Statistical Sampling

OIG Fraud, Waste, and Abuse Research and Analytics statisticians selected a statistically valid random sample of paid claims to test that:

- DME and supplies claims that required prior authorization were authorized.
- Claims were for home health services and were not for members in a hospital or a facility.
- Prescribing physicians were eligible.
- Members were seen by a physician within six months prior to the start of service.
- Claims included a signature from the member or caregiver on the documents to confirm receipt of deliveries.

¹¹ For more information on the components of internal control, see the United States Government Accountability Office's *Standards for Internal Control in the Federal Government*, (Sept. 2014), <https://www.gao.gov/assets/gao-14-704g.pdf> (accessed Apr. 16, 2021).

The sample was selected from a population of 55,064 claims representing \$13,516,172. The sample was designed to be representative of the population and, therefore, it is appropriate to project the results of that sample to the population.

The OIG Fraud, Waste, and Abuse Research and Analytics Division provided data for testing. It was administratively infeasible to review every claim in the population; therefore, OIG Audit selected one sample of 90 claims paid to Cook Children's Home Health by Cook Children's Health Plan.

Sample Testing

OIG Audit tested a total of 90 statistically valid sample DME and supplies claims selected from claims paid to Cook Children's Home Health by Cook Children's Health Plan. OIG Audit reviewed supporting documentation for the claims, including order forms, approved requests for prior authorization, evidence of members' physician visits, and delivery documentation.

A separate risk-based, non-statistical sample of 15 DME and supplies claims was selected based on a risk analysis of potential duplicate claims or deliveries. For this sample, auditors tested to determine whether quantities delivered matched the quantities ordered. The sample is not statistically valid and the results of testing for this sample could not be projected to the population.

Appendix B: Abbreviations

Abbreviations Used in This Report

CHIP	Children’s Health Insurance Program
DME	Durable medical equipment
HHS	Health and Human Services
HHSC	Health and Human Services Commission
IT	Information Technology
MCO	Managed care organization
OIG	Office of Inspector General
OIG Audit	OIG Audit and Inspections Division
STAR	State of Texas Access Reform
TMPPM	Texas Medicaid Provider Procedures Manual

Appendix C: Report Team and Distribution

Report Team

OIG staff members who contributed to this audit report include:

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- Joel A. Brophy, CIA, CFE, CRMA, CICA, Audit Director
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- Carolyn Bruno, Assistant Vice President of Finance
- Richard Dyess, Cook Children's Home Health Board Chairman

Cook Children's Health Plan

- Karen Love, President

Cook Children's Health Care System

- Kent Smith, Vice President of Compliance

Appendix D: OIG Mission, Leadership, and Contact Information

The mission of OIG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of OIG's mission and statutory responsibility includes:

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- Susan Biles, Chief of Staff
- Dirk Johnson, Chief Counsel
- Christine Maldonado, Chief of Operations and Workforce Leadership
- Juliet Charron, Chief of Strategy
- Steve Johnson, Chief of Investigations and Reviews
- Audrey O'Neill, Chief of Audit and Inspections

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