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OFFICE OF THE STATE COMPTROLLER

September 5, 2013

Nirav R. Shah, M.D., M.P.H.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Re: Enhanced Medicaid Payments to
Selected Home Health Care Service
Providers
Report 2013-F-1

Dear Dr. Shah:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Department of Health (Department) to implement the recommendations contained in our audit report, *Enhanced Medicaid Payments to Selected Home Health Care Service Providers* (Report 2009-S-25).

Background, Scope and Objectives

Home health care services enable individuals with certain medical conditions to continue living at home and avoid costly institutional care. The services range from skilled nursing care to everyday housekeeping assistance. According to an amendment to the State's Public Health Law (Law), for the period June 1, 2006 through March 31, 2011, the Department made an additional \$500 million in Medicaid payments to providers of certain home health care services. The amendment to the Law required these providers to use the supplemental funds to improve their recruitment, training and retention (RTR) of direct home health care staff and, thereby, meet the increasing demand for home health care services. Subsequent to our initial audit, the legislature further amended the Law to continue RTR funding of \$100 million annually through March 31, 2014. Additionally, the Department began transitioning certain Medicaid recipients receiving home health care services into managed long term care.

We issued our initial audit report on September 24, 2010. Our two objectives were to determine whether selected home health care providers properly used the supplemental Medicaid funds they received for the recruitment, training and retention of direct care staff and to determine whether the Department was effectively overseeing this funding. Based on a review of \$39 million of RTR funds, we found that providers used some of the funds for the recruitment, training and retention of direct care staff. However, we were unable to account for providers' use of all RTR funds because such funds were sometimes commingled with other funds and not accounted for separately. We attributed the deficiencies to insufficient Department guidance to the providers and weak oversight of providers' use of RTR funds. The objective of our follow-up was to assess the extent of implementation, as of July 25, 2013, of the four recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

Department officials did not implement the four recommendations we made in our initial audit report and, consequently, significant actions are still needed.

Follow-up Observations

Recommendation 1

Establish a process for tracking the receipt and use of RTR funding for all recipients.

Status - Not Implemented

Agency Action - In the Department's response to the initial audit, officials agreed with the recommendation and indicated they would direct managed long term care plans to establish a process to separately account for the receipt and disbursement of RTR funds. Additionally, the Department stated they would work with all providers to ensure that reports were submitted that describe how the funds were used. However, at the time of our follow-up, the Department had not yet taken those actions. The Department stated its Bureau of Managed Long Term Care will develop a survey to send to managed long term care plans that will track the receipt and use of RTR funding beginning with the 2011-12 funding cycle. Department officials expect that managed long term care plans will complete the surveys by October 1, 2013.

Recommendation 2

Develop specific guidance on the allowable uses and time frames for RTR funds, and make the guidance available to all home health care providers and home health agencies receiving RTR funds.

Status - Not Implemented

Agency Action - In the Department's response to the initial audit, officials agreed to develop and distribute guidance as needed. However, at the time of our follow-up, the Department had not developed and issued specific guidance on the allowable uses of RTR funds and the time frames for spending them.

Recommendation 3

Develop a mechanism for making the contracted home health agencies aware of the information on the Department's website explaining RTR funding.

Status - Not Implemented

Agency Action - In the Department's response to the initial audit, officials agreed to direct managed long term care plans to forward Department guidance on the use of RTR funds to the plans' subcontractors. At the time of our follow-up, Department officials indicated that the Bureau of Managed Long Term Care would create a policy document regarding healthcare recruitment and retention for home health agencies. Department officials expect to post the policy document to the Department's website by October 1, 2013. Further, the Department will direct managed long term care plans to share the website link to the policy document with their contracted home health agencies.

Recommendation 4

Require all home health care providers receiving RTR funds to submit a statistical report describing how the funds were used, and follow up with the providers to obtain any reports that are not submitted on time. Use the format developed by the Bureau of Operations for the statistical report.

Status - Not Implemented

Agency Action - In the Department's response to the initial audit, officials agreed with the recommendation and indicated they would take steps to collect statistical information regarding the distribution of funds. Department officials also indicated they would work with all providers to ensure such information was submitted timely. However, at the time of our follow-up, the Department had not taken those actions.

Major contributors to this report were Christopher Morris, Brian Krawiecki and Kate Merrill.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Department for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Andrea Inman
Audit Manager

cc: Ms. Diane Christensen, Department of Health
Mr. James Cox, Medicaid Inspector General
Mr. Thomas Lukacs, Division of the Budget