



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



DEPARTMENT OF HEALTH

NEWBORN SCREENING

CHILDREN'S MEDICAL SERVICES

AREA HEALTH EDUCATION CENTER NETWORK

Operational Audit

SUMMARY

The Department of Health is responsible for the State's public health system. Within this system, the Department has authority to screen newborns for various disorders, provide services to children with special health care needs through Children's Medical Services (CMS) Programs, and provide access to physicians and health services through the Division of Health Access and Tobacco. Our audit focused on activities and transactions for the period July 2004 through January 2006.

Newborn Screening

Finding No. 1: While authorized in July 2004, the Department did not begin billing private insurance for the cost of newborn screenings until March 2006. Additionally, the Department did not begin billing Medicaid until January 2005. Uncollected revenue for the costs of newborn screenings totaled approximately \$10.6 million.

Finding No. 2: The Department collects a \$15 live birth fee from hospitals and birth centers and transfers a portion of the fee to the Agency for Health Care Administration (AHCA) to share in the cost of the State's Medicaid program. However, there was no written agreement evidencing this arrangement.

Children's Medical Services

Finding No. 3: The CMS Early Steps Program is funded through the Individuals with Disabilities Act (IDEA), Parts B and C. While authorized to do so, the Department had not established a sliding fee schedule for services provided under IDEA, Part C, for the Program

due to the commingling of IDEA, Part B and C, funds.

Finding No. 4: The Department had not established unique accounting codes in the Florida Accounting and Information Resource Subsystem (FLAIR) to appropriately identify the expenditures of each CMS program.

Finding No. 5: The CMS Data System was, in some respects, not compliant with the Health Insurance Portability and Accountability Act (HIPAA).

Area Health Education Center Network

Finding No. 6: The Department had not established effective procedures for monitoring the Area Health Education Center (AHEC) Network.

FINDINGS AND RECOMMENDATIONS

Newborn Screening

The Department of Health is authorized to screen newborn infants for metabolic, hereditary, and congenital disorders known to result in significant impairment of health or intellect. The Department's State Laboratory performs the screening and the Division of Children's Medical Services (CMS) tracks abnormal test results and makes referrals for additional services as applicable.

The Department's State Laboratory is responsible for collecting a \$15 live birth fee from hospitals and birth centers licensed by the Agency for Health Care

Administration (AHCA). The State Laboratory also bills third party payors, such as Medicaid and private insurers, for the costs of the screening. AHCA, as the State agency responsible for administering the Medicaid Program, calculates and invoices the Department for the amount owed for the State matching portion of the Medicaid-reimbursed screening costs.

Finding No. 1: Recovery of Costs

Beginning July 1, 2004, the Department was authorized to bill third-party payors for newborn screening tests.¹ Our review of the procedures implemented by the Department disclosed that:

- The Department did not begin billing private insurance until March 2006, 21 months after the law took effect.
- The Department did not begin billing Medicaid until January 2005 for the costs of screenings performed from July 2004.

According to Department personnel, incomplete and inaccurate information provided on specimen cards had impeded the Department’s ability to bill and collect the costs of the screenings performed. The Department indicated that it has requested AHCA’s assistance to improve licensed hospital and birth center provision of accurate and complete specimen card information.

Estimates of the potential revenue earned by the Department between July 1, 2004, and January 31, 2006, amounted to \$16.8 million, adjusted for women without health insurance and an estimated collection rate of 90 percent. According to Medicaid records, the Department was paid \$6.2 million for newborn screenings resulting in estimated earned, but unbilled revenue of \$10.6 million.

Recommendation: To ensure screening costs are timely collected, we recommend the Department continue its efforts to improve hospital and birth center compliance with specimen data collection requirements.

¹ Section 383.14, Florida Statutes, as amended by Chapter 2004-245, Laws of Florida

Finding No. 2: Fees Transferred to AHCA

The Department transfers a portion of the \$15 live birth fee² to AHCA to share in the cost of the State’s Medicaid Program. During the 2004-05 fiscal year, the Department transferred approximately \$1.25 million to AHCA. The amount transferred is based on AHCA’s calculation of the State’s share of the costs of the newborn screening tests billed to and paid by Medicaid. Pursuant to Federal Regulations,³ the \$15 fee is an allowable source of funds to use to pay costs claimed for State matching purposes; however, the Department’s receipts from billing Medicaid for the costs of the newborn screening tests are not an allowable source of matching funds.

To ensure compliance with governing Federal regulations, it is important that the Department, in a written agreement, clearly identify and limit the amount transferred to AHCA to the newborn screening fees received or other allowable sources. We found that the Department had not entered into a written agreement with AHCA to document the specific provisions of this arrangement, including those relating to AHCA’s billing and the Department’s payment of fees, a limit on the amount paid, and the source of funds used to pay the amounts billed.

Recommendation: We recommend the Department confirm this agreement in writing to outline the duties and responsibilities of each party.

Children’s Medical Services

CMS administers 23 programs that provide children with special health care needs with family-centered, comprehensive, and coordinated Statewide managed care. Each CMS program is to establish eligibility criteria and fee payment obligations, if any. Information regarding client registration and services scheduled and delivered for each client is maintained in the CMS Data System for access by authorized personnel. Fiscal management is provided through a

² Section 383.14(3)(g)1, Florida Statutes

³ Title 45, Part 92.24, Code of Federal Regulations

Financial Management Workgroup, as well as the CMS area offices.

Finding No. 3: Fees for Early Steps Services

The Children’s Medical Services (CMS) Program, Early Steps, is a family-focused early intervention system to support infants, birth to 36 months, and their families. Services are provided to children diagnosed with, or with a suspected diagnosis of, a condition with a high probability of disability or developmental delay, such as Downs Syndrome, cerebral palsy, and autism spectrum disorders. The local Early Steps offices coordinate with community agencies and other contracted providers for the delivery of needed supports and services. Early Steps Program expenditures totaled \$40.3 million for the 2004-05 fiscal year.

The Early Steps Program is funded by the Federal Individuals with Disabilities Education Act (IDEA), Parts B and C.

- IDEA, Part B, provides funding to ensure that children with disabilities have available to them a free appropriate public education, to ensure their rights and their parent’s/guardian’s rights are protected, to provide for the education of all children with disabilities, and to ensure the effectiveness of efforts to educate children with disabilities. Free appropriate public education is defined as “special education and related services that are provided at public expense, under public supervision and direction, and without charge.”⁴ As required by applicable Federal regulations, the Department does not collect financial information or use a sliding fee scale for Part B services.
- IDEA, Part C, provides early intervention services to infants and toddlers with disabilities and their families. Part C Federal funding is the payor of last resort. Each local Early Steps office is responsible for ensuring all resources, such as insurance, are considered prior to using IDEA, Part C funds. Federal regulations do not prohibit the Department from implementing a sliding fee

scale for services provided under IDEA, Part C.

The Department determines eligibility for the Early Steps Program based on the severity of the child’s disability or delay. Ability to pay is not a consideration in determining eligibility. While the Department is authorized to do so, the Department did not have a sliding fee schedule in place for families receiving services under IDEA, Part C.

According to Department personnel, a sliding fee schedule had not been implemented because the Department had not provided for a separate accounting of the service costs incurred under IDEA, Part B, and those incurred under Part C. We found that the Department had not established specific accounting codes to capture costs incurred under IDEA, Parts B and C (see also finding No. 4), and the costs of Part B were commingled in the same accounts with the costs of Part C.

Department personnel indicated that they were considering using the Part B dollars in a manner that would better facilitate a separate accounting of the services and costs incurred by each Part and, thus, allow for a sliding fee scale for IDEA, Part C, services. If approved, the Department anticipates a sliding fee scale could be implemented during the 2007-08 fiscal year.

Recommendation: We recommend the Department implement procedures to separately identify IDEA, Part B and C, services and costs. Additionally, the Department should implement a sliding fee schedule for those services provided under IDEA, Part C, in order to maximize the resources available to the Early Steps Program.

Finding No. 4: CMS Program Expenditures

The Florida Financial Management Information System, of which FLAIR is a subsystem, is to be the primary means by which State government managers acquire and disseminate accounting information needed to plan and account for the delivery of services

⁴ Title 34, Section 300.13, Code of Federal Regulations

to the citizens in a timely, efficient, and effective manner.⁵

CMS administers 23 distinct programs through a number of CMS regions and area offices. Programs such as the Children’s Cardiac Program and the Sexual Abuse Treatment Program each provide a unique scope of services to children with special health care needs. Although FLAIR records contain data related to CMS expenditures as a whole, the Department had not established unique accounting codes to track CMS expenditures by program. The Department indicated that specific accounting codes had been established in FLAIR for some programs. However, our audit disclosed that expenditures cannot be tracked within FLAIR by CMS program. For example, of the 15 programs reviewed, 14 did not have unique accounting codes. Expenditures for CMS programs totaled \$202 million for the 2004-05 fiscal year.

The establishment of unique accounting codes for all CMS programs would help ensure that the State’s general accounting records (FLAIR) can be relied on by management and the Legislature as a source of accurate and complete information for the amount and types of expenditures incurred by each CMS program.

Recommendation: To assist with the fiscal management and monitoring of CMS programs, we recommend the Department establish accounting codes to accumulate expenditures by CMS program.

Finding No. 5: CMS Data System

The Health Insurance Portability and Accountability Act (HIPAA) of 1996 authorized the establishment of national standards for electronic health care transactions and the security and privacy of health data. The HIPAA Privacy Rule provides a means of protecting individuals’ health information and defines the health information which may or may not be disclosed. An administrative requirement of the Privacy Rule is that entities “must maintain reasonable and appropriate administrative, technical, and physical

safeguards to prevent intentional or unintentional use or disclosure of protected health information.”⁶

As a part of our review of CMS programs, we noted that the CMS Data System was not compliant with two HIPAA requirements. Specific details of the noncompliance are not disclosed in this report to avoid a potential compromise of Department information. However, appropriate Department personnel have been notified of the deficiencies.

In response to our inquiries, Department personnel indicated that the CMS Data System cannot be modified to correct the deficiencies disclosed by our audit. However, the Department has undertaken the CMS Development and Integration Project to develop a system that will replace the CMS Data System.

Recommendation: We recommend the Department ensure, through the Department’s Development and Integration Project, that the CMS replacement system is compliant with HIPAA requirements. Federal regulations require the Department to implement procedures to respond to, mitigate, and document security incidents. We recommend the Department determine and document its planned response and mitigation efforts regarding the CMS Data System security violations.

Area Health Education Center Network

The Division of Health Access and Tobacco coordinates activities with the Area Health Education Center (AHEC) Network and with research and policy development centers within universities that have a State-approved medical school. The Department is to evaluate activities undertaken by the Network to improve access to services by persons who are medically underserved. The Network is to also serve as a catalyst for primary care training of health professionals through increased opportunities for training in medically underserved areas.

⁶ U.S. Department of Health and Human Services, Office for Civil Rights Privacy Rule Summary, last revised May 2003.

⁵ Section 215.91, Florida Statutes

Finding No. 6: AHEC Network Monitoring

To increase access to medical care and reduce health disparities for Florida’s medically underserved populations, the Department has organized the Florida AHEC Network. The Network consists of five universities with State-approved medical schools and community resources. The Department contracts with the universities to oversee the Network and the universities contract with nonprofit organizations to provide service coordination, training, and recruitment of students to rural areas. Payments made to the five contractors totaled \$13.7 million for the 2004-05 fiscal year.

Florida law⁷ requires the Department to establish criteria and procedures for quality assurance, performance evaluations, periodic audits, and other appropriate safeguards for the AHEC Network.⁸ Regarding the Department’s monitoring activities:

- The Department had not established criteria or procedures for quality assurance or performance evaluations for the Network. While the Department indicated that the contracts with the universities establish quality assurance and performance criteria and that the quarterly reports and monitoring site visits serve as periodic audit mechanisms, the contracts did not, in some instances, include standards against which performance could be measured. For example, services required, but for which performance standards had not been established, included community training site development, facilitation of community-based training for pharmacy students, and nutrition and physical activity initiatives.
- The Department made annual site visits to each of the five universities. These visits were to review the universities’ programmatic and fiscal processes and included visits to sub-contractors. Written summaries were prepared for these visits; however, there were no checklists or documents to support the conclusions made in the summaries or to evidence the methodology employed. Additionally, Department personnel indicated

that performance data reported by the universities was not verified during site visits. The Department indicated that a checklist has now been drafted for site visits.

Absent procedures and objective criteria for evaluating Network members, the Department cannot determine whether Network members are providing contracted services and whether desired outcomes are impacting the intended underserved areas. Additionally, without documentation evidencing the work performed during site visits, the Department cannot demonstrate that the work was sufficient to adequately evaluate contractor performance or support the reported conclusions.

Recommendation: We recommend the Department establish written criteria and procedures for quality assurance, performance evaluations, periodic audits, and other appropriate safeguards for the AHEC Network, as required by Florida law. Such criteria and procedures should include appropriate documents to comprehensively and uniformly evaluate Network members during site visits.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives related to our audit of Children’s Medical Services and the Area Health Education Center Network were to obtain an understanding of internal controls and make judgments as to the effectiveness of those internal controls and to evaluate management’s performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of the above programs; the validity and reliability of records and reports; and the safeguarding of assets.

The scope of this audit focused on 1) a review and evaluation of the adequacy of the Department’s billing process for the collection of fees from hospitals and third-party payors relating to newborn screening fees; 2) a review of the requirements and procedures in place for financial eligibility, co-payment, and third-party billings for CMS programs; and 3) a review of the Division of Health Access and Tobacco’s data accumulation and evaluation related to the supply and

⁷ Section 381.0402(2), Florida Statutes

⁸ The network consists of the five universities and their sub-contractors.

distribution of licensed physicians, administration of the AHEC Network, and sufficiency of monitoring AHECs.

In conducting our audit, we interviewed Department personnel, observed processes and procedures, and completed various analyses and other procedures as determined necessary. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2004 through January 2006.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated August 24, 2006, the Secretary provided responses to our findings. The letter is included in its entirety at the end of this report as Appendix A.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable **Government Auditing Standards** issued by the Comptroller General of the United States. This audit was conducted by Cheryl B. Jones, CPA, and supervised by Lisa Norman, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, via E-mail at janeflowers@aud.state.fl.us or by telephone at **(850) 487-9136**.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone (850 487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

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APPENDIX A
MANAGEMENT RESPONSE



Jeb Bush
Governor

M. Rony François, M.D., M.S.P.H., Ph.D.
Secretary

August 24, 2006

Mr. William O. Monroe, C.P.A.
Auditor General
Room G74, Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

This letter is in response to your August 3 correspondence regarding the preliminary and tentative findings of your report entitled, *Operational Audit of CMS Newborn Screening and Area Health Education Center Network*. The agency's response and corrective action plans to your findings and recommendations may be found in the enclosed document.

We appreciate the work of your staff and will diligently pursue appropriate resolution to the findings.

If I may be of further assistance, please let me know.

Sincerely,

M. Rony François, M.D., M.S.P.H., Ph.D.
Secretary, Department of Health

MRF/kir
Enclosure

Operational Audit of CMS Newborn Screening and Area Health Education Center Network

<i>Finding</i>	<i>Recommendation</i>	<i>Management's Response</i>	<i>Corrective Action Plan</i>
<p>1 While authorized in July 2004, the Department did not begin billing private insurance for the cost of newborn screening until March 2006. Additionally, the Department did not begin billing Medicaid until January 2005. Uncollected revenue for the costs of newborn screening totaled approximately \$10.6 million.</p>	<p>To ensure screening costs are timely collected, we recommend the Department continue its efforts to improve hospital and birth center compliance with specimen data collection requirements.</p>	<p>The Department agrees with this finding, however, wants to stress that while billing of Medicaid did not begin until January 2005 the Department did go back and bill for services as of July 2004. Therefore, no Medicaid revenue was lost due to the late start date.</p>	<p>The Department is in the process of contracting with an outside vendor (Health Management Systems, Inc.) to perform third party billing services. The anticipated start date for the contract is September 1, 2006.</p> <p>The Department has also completed the electronic matching process for incomplete Medicaid claims and is currently collecting about 80% of all Medicaid eligible births. The others will be transmitted to Health Management Systems to research and bill as part of the contract as well as claims covered by third party payers.</p>
			<p>Letter was sent by AHCA Secretary Alan Levine on June 29, 2006 to Hospital Administrators to require the hospitals to provide pertinent information to bill third party carriers. The letter requires hospital to either include the Medicaid identification number or the private insurance information of the mother or the newborn on the specimen collection card or attach a copy of the mother's insurance information or Medicaid identification number to the specimen card.</p>

<i>Finding</i>	<i>Recommendation</i>	<i>Management's Response</i>	<i>Corrective Action Plan</i>
<p>2 The Department collects a \$15 live birth fee from hospitals and birth centers and transfers a portion of the fee to the Agency for Health Care Administration (ACHA) to share in the cost of the State's Medicaid Program. However, there was no written agreement evidencing this arrangement.</p>	<p>We recommend the Department confirm this agreement in writing to outline the duties and responsibilities of each party.</p>	<p>The Department agrees with this finding.</p>	<p>The department will initiate an MOU with the Agency for Health Care Administration to formalize the process.</p>
<p>3 The CMS Early Steps Program is funded through the Individuals with Disabilities Act (IDEA), Parts B and C. While authorized to do so, the Department had not established a sliding fee schedule for services provided under IDEA, Part C, for the Program due to commingling of IDEA, Part B and C, funds.</p>	<p>We recommend the Department implement procedures to separately identify IDEA, Part B and C, services and costs. Additionally, the Department should implement a sliding fee schedule for those services provided under IDEA, Part C, in order to maximize the resources available to the Early Steps Program.</p>	<p>Early Steps agrees with the Auditor General's Recommendation and has separately identified Part B from Part C costs. All 50 states and territories participate in Part C of the Individuals with Disabilities Act (IDEA).</p>	<p>Early Steps will evaluate the issues associated with developing a sliding scale fee proposal that produces financial benefits to the system in the fall of 2006. Preliminary findings show approximately 1/5 of Part C programs in the country have some form of sliding fee participation and those will be the focus of our analysis which will include reviewing their procedures, interviewing key members of their Part C Program staff and addressing the pros and cons of those procedures. Any plan to implement a sliding fee schedule must go out for public comment as required by federal regulations before being submitted to the Office of Special Education Programs for approval.</p>

<i>Finding</i>	<i>Recommendation</i>	<i>Management's Response</i>	<i>Corrective Action Plan</i>
<p>4 The Department has not established unique accounting codes in the Florida Accounting and Information Resource Subsystem (FLAIR) to appropriately identify the expenditures of each CMS program.</p>	<p>To assist with the fiscal management and monitoring of CMS programs, we recommend the Department establish accounting codes to accumulate expenditures by CMS program.</p>	<p>CMS currently tracks program expenditures by special category, however, there are a couple of special categories that provide funding for numerous programs and separate codes have not been established.</p>	<p>CMS Central Office Fiscal Staff will work with Budget Staff and Financial Accounting Staff to establish codes to track program expenditures as recommended.</p>
<p>5 The CMS Data System was, in some respects, not compliant with the Health Insurance Portability and Accountability Act (HIPAA).</p>	<p>We recommend the Department ensure, through the Department's Development and Integration Project, that the CMS replacement system is compliant with HIPAA requirements. Federal regulations require the Department to implement procedures to respond to, migrate, and document security incidents. We recommend the Department determine and document its planning response and mitigation efforts regarding the CMS Data System security violations.</p>	<p>The Department (CMS) is, through its Development and Integration Project, currently in the planning stages of acquiring a business software system/solution that will meet the business needs of CMS while meeting Federal HIPAA requirements, as well as State and DOH security requirements. These security requirements will be part of the procurement instrument(s), that the CMSN Division will employ, as contract deliverables for a successful proposer/bidder.</p>	<p>The functionality of the Care and Assessment Plan (CAP) system will be included in the new system mentioned above consequently addressing security and privacy concerns. This will allow the CMSN Division to retire the CAP system as it now exists.</p>

<i>Finding</i>	<i>Recommendation</i>	<i>Management's Response</i>	<i>Corrective Action Plan</i>
<p>6 The Department had not established effective procedures for monitoring the Area Health Education Center (AHEC) Network.</p>	<p>We recommend the Department establish written criteria and procedures for quality assurance, performance evaluation, periodic audits, and other appropriate safeguards for the AHEC Network, as required by Florida law. Such criteria and procedures should include appropriate documents to comprehensively and uniformly evaluate Network members during site visits.</p>	<p>We concur with the recommendations as stated.</p>	<p>We will establish written criteria and procedures for quality assurance, performance evaluation, periodic audits, and other appropriate safeguards for the AHEC Network. Such criteria and procedures will include appropriate documents to comprehensively and uniformly evaluate AHEC Network members during site visits.</p>