



AUDITOR GENERAL

DAVID W. MARTIN, CPA



AGENCY FOR PERSONS WITH DISABILITIES CONSUMER-DIRECTED CARE PLUS WAIVER PROGRAM Operational Audit

SUMMARY

The Consumer-Directed Care Plus (CDC+) Waiver Program presents individuals (consumers) with the option to control and direct Medicaid funds through individual care plans and budgets. Our audit of the Agency for Persons with Disabilities (APD) focused on APD's management of Developmental Services Waiver Program (DD) consumers and covered the period July 2005 through February 2007, and selected actions taken through July 26, 2007.

Finding No. 1: Due to lack of fiscal controls, CDC+ Waiver Program funds were allowed to accumulate in DD consumers' accounts instead of being returned to the State.

Finding No. 2: The CDC+ Waiver Program had not sustained the required Federal budget-neutrality status. As the Waiver nears the expiration date of February 2008, the State intends to ensure budget neutrality by recouping excess funds accumulated in consumers' accounts.

Finding No. 3: APD had not implemented the formal monitoring procedures described in the State's CDC+ Waiver Program Operational Protocol.

BACKGROUND

The CDC+ Waiver Program was implemented under the authority of an Independence Plus 1115 Waiver amendment granted by the United States Department

of Health and Human Services, Centers for Medicare and Medicaid Services (CMS). The Waiver was designed to expand the Florida Consumer-Directed Care Project authorized by the 2002 Florida Legislature.¹ The Agency for Health Care Administration (AHCA), which is responsible for the State's Medicaid program, was designated by the Legislature as the lead agency for the Waiver.

Eligibility for the CDC+ Waiver Program was limited to individuals previously enrolled in the original CDC Project, the Aged and Disabled Adult Waiver, the Developmental Services Waiver (DD), or the Traumatic Brain Injury/Spinal Cord Injury Waiver. To qualify for the Waiver, individuals must have met certain functional and financial requirements. Functional eligibility requirements were the same as the functional criteria for the Home and Community Based Services (HCBS) Waiver Program from which they were referred. Financial eligibility criteria required all participants to meet the income test for the HCBS Waiver Program.

Consumers participating in the CDC+ Waiver Program directed their own care and managed the budget allocated for their care needs. The State provided consultant and fiscal/employer agent services to assist consumers in assuming their management responsibilities. Consultant services included training, coaching, and providing technical assistance to consumers, as needed. Training was designed to help consumers learn how to use the

¹ Chapter 2002-223, Laws of Florida.

budget correctly and avoid overspending. Fiscal/employer agent services included providing assistance to consumers by receiving funds and making them available to the consumers, paying employer and unemployment compensation taxes, processing employment information, and paying providers and employees.

APD, in cooperation with AHCA, the Department of Children and Family Services (DCFS), the Department of Elder Affairs (DOEA), and the Department of Health, provided oversight for the Program and managed consumers.

DOEA managed the consumer and consultant database and provided fiscal/employer agent services through a contract with a fiscal/employer agent. Effective January 1, 2007, certain of DOEA's administrative responsibilities for DD consumers were transitioned to APD, such as inputting information into the consumer and consultant database. Additionally, APD entered into a contract with its own fiscal/employer agent for DD consumers with a start date of July 1, 2007.

Day-to-day management of the Program was carried out primarily by program staff of each department for its particular Waiver program. Of the \$100 million in State and Federal funds disbursed for the CDC+ Waiver Program from July 1, 2005 through March 31, 2007, approximately \$91 million was disbursed on behalf of DD consumers. Our audit focused on APD's management of DD consumers and covered the period July 2005, through February 2007, and selected actions taken through July 26, 2007.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Consumer Funds

CDC+ Waiver Program funds were allowed to accumulate in DD consumer accounts instead of being returned to the State. Two factors contributing to this accumulation were the lack of monitoring by APD to ensure that excess funds were transferred back to the State in a timely manner and the lack of consideration of these excess funds during the consumers' annual

budgeting process. These two factors are described in detail below:

Excess Funds - Transfers

Consumers' monthly budgeted funds were deposited by the fiscal/employer agent into one of three accounts: services, cash, and savings. Examples of uses for the services fund were payroll for hired workers or invoices for vendors. Cash accounts were available to the consumer for small purchases, on a limited basis, as outlined in the purchasing plan. Savings accounts were used to accumulate unspent funds in order to make special purchases and to fund an emergency backup plan. Items purchased with savings funds were required to be listed in the purchasing plan.

According to the State's CDC+ Waiver Program Operational Protocol, once funds in the consumer's services account reached the limit of one and one-half times the consumer's monthly budget amount, the consumer was required to transfer the excess funds into the savings account before the next monthly budget allocation was received.

APD did not have procedures in place to ensure that excess funds were transferred from the services accounts to the savings accounts. Our review of the DD population of 1,052 consumers' services accounts for the audit period disclosed that the accumulated funds were usually not transferred into the savings accounts. Of the 1,052 consumers' accounts analyzed, 560 consumers had an average monthly services account balance for the audit period of greater than the limit. For 111 of the 560 consumers, the average monthly services balance in excess of the limit was greater than \$10,000, for a total average monthly excess balance of \$2.5 million.

In addition to requiring excess service account funds to be transferred into consumers' savings accounts, the Waiver Program rules further required consumers to return to the State savings account funds in excess of the approved savings plan at the time of the consumers' annual eligibility redetermination.

Our review disclosed that APD did not have procedures in place to monitor DD consumers'

savings accounts to ensure that funds in excess of the approved savings plan amounts were returned to the State as required. As of February 2007, DD consumers had total savings account balances of \$4.6 million. Although some of these balances were set aside for future authorized savings account purchases, some will be included in the planned recoup of funds at the end of the waiver, as described below.

According to CDC+ Waiver Program guidelines, the transfer and return of excess funds was the responsibility of the individual consumers. However, APD was responsible for ensuring financial accountability of APD participants, including recoupment of any undesignated CDC+ funds. Although appropriate monitoring procedures were not in place during our audit period, APD staff reported that procedures for automatic transfer were part of the procedures of the new fiscal/employer agent.

Excess Funds - Budgeting

Annually, each consumer was required to have a care plan and support plan developed based on an assessment of need. The plans identified each necessary Waiver service along with frequency, duration, and unit cost of the service, and represented the services that would have been received had the consumer remained enrolled in the HCBS Waiver Program. The total cost of these services on the care plan and support plan was adjusted downward by a discount rate.² The consumer then developed a purchasing plan based on the adjusted amount, specifying how services would be obtained from directly hired workers, community agencies, and independent contractors. Consumers were prohibited from purchasing goods or services not shown in the approved purchasing plan, although to allow flexibility, the plan could be updated.

As indicated above, significant numbers of DD consumers were not routinely spending all of their monthly budget amounts, contributing to the accumulation of excess funds. In addition to the lack

of monitoring of account balances described above, APD did not have a process in place to review consumers' prior spending activity during the consumers' annual redetermination to identify whether consumers had excess unspent funds from prior years that could be applied towards current year needs, or whether the monthly budget amount should be decreased in cases where the consumers were routinely not spending the full purchasing plan allotment.

Recommendation: APD should continue steps to ensure that CDC+ Waiver Program funds do not idly accumulate in consumers' accounts and ensure that the annual care plan and support plan preparation processes include an assessment of whether funds were fully utilized in the previous period.

Finding No. 2: Budget Neutrality

The CDC+ Waiver Program contains a budget neutrality requirement specifying that the aggregate cost of services over the life of the Waiver is required to be no more than 100 percent of the cost of the services without the Waiver. The CDC+ Waiver Program was implemented in February 2003 and has not been operating as budget neutral. According to the Budget Neutrality Assessment report submitted by AHCA to CMS as of March 31, 2007, there was a budget neutrality deficit of approximately \$4.2 million.

The lack of fiscal controls described in Finding No. 1 contributed to the Waiver's lack of budget neutrality, as of March 31, 2007. As the Waiver nears the expiration date of February 2008, the State intends to ensure budget neutrality by recouping excess funds accumulated in consumers' accounts.

As the CDC+ Waiver Program is a demonstration project that is due to end in February 2008, APD, in coordination with AHCA, is in the process of revising the Medicaid State Plan to include the CDC+ Waiver Program. Therefore, the Waiver budget neutrality requirement will no longer apply. As of July 26, 2007, the Medicaid State Plan revision had not been submitted to CMS for approval.

² The rate varied from 83 to 92 percent, depending on the type of originating HCBS Waiver. The discount rate was intended to ensure budget neutrality (see Finding #2 for further discussion of budget neutrality).

Recommendation: Upon approval of the revised State Plan, APD should ensure that the revision is timely implemented in order to maintain the funding for consumers now enrolled in the CDC+ Waiver Program. This new CDC+ Waiver Program should include appropriate monitoring procedures to ensure that Waiver funds are used in the most cost-effective manner.

Finding No. 3: Monitoring

The CMS Special Terms and Conditions for the CDC+ Waiver Program require the State to address certain elements in its Operational Protocol. One of these elements is a system of quality assurance and improvement that effectively assures the health and welfare of waiver participants and continuous improvement in the demonstration program. In response to this requirement, the State's Operational Protocol contained a Quality Management Plan that outlined monitoring elements including: Care Management; Financial Management; Abuse, Neglect, and Exploitation; and Use of Community Resources. Management and oversight responsibilities for the Quality Management Plan were assigned to each State CDC+ Waiver Program office.

We determined that during the audit period, APD had participated in a single joint desk review monitoring of consumer files in September 2006 with AHCA and DOEA. The monitoring report indicated that the purpose of the review was to evaluate the monitoring tool and to use the results to establish a tool and reporting procedure. It was not clear from our review of the related documentation that the joint desk review had accomplished the objectives set forth in the State's Operational Protocol. According to APD staff, quality assurance efforts were to begin in July 2007, once the transition to the new database and new fiscal/employer agent were complete.

Recommendation: APD should continue to develop and implement monitoring procedures in order to ensure that the CDC+ Waiver Program is operating as required.

OBJECTIVES, SCOPE, AND METHODOLOGY

This operational audit focused on the Agency's management of DD consumers for the Consumer-Directed Care Plus Waiver Program. Our objectives were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of the Waiver; the validity and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of the Waiver; the validity and reliability of records and reports; and the safeguarding of assets.

Our audit included examination of various management actions occurring during the period July 2005 through February 2007, and selected actions taken through July 26, 2007. In conducting the audit, we:

- Interviewed personnel at AHCA, APD, DCFS and DOEA.
- Obtained an understanding of internal controls and reviewed and documented key processes and procedures relating to the management of DD consumers on the CDC+ Waiver Program.
- Examined selected transactions, completed various analyses, and performed other auditing procedures necessary to accomplish the objectives of the audit.

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.



David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated October 17, 2007, the Director provided a response to our preliminary and tentative audit findings. The letter is included 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 *Generally Accepted Government Auditing Standards*. This audit was conducted by Samantha Colbert, CPA, and supervised by Karen Van Amburg, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, by e-mail (janeflowers@aud.state.fl.us) or by telephone (850-487-9136).

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

APPENDIX A



agency for persons with disabilities
State of Florida

Charlie Crist,
Governor

October 17, 2007

**
Jane E. Johnson,
Agency Director

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Auditor General
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Dear Mr. Martin:

**
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The following comments are provided in response to the preliminary and tentative findings and recommendations in the audit of "Consumer-Directed Care Plus Waiver Program" in the Agency for Persons with Disabilities.

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The process of transferring service account funds that exceed 1.5 times the monthly budget allocation has been automated in the new Consumer-Directed Care Plus (CDC+) database system. The new system was implemented on July 1, 2007. Recoupment of unused funds in CDC+ consumer accounts occurred in July 2007. A total of \$5,764,212.87 was recouped. Forty-two percent of the recouped funds have been reinvested in the DD Waiver. The recoupment process has been automated in the new system. Annual reassessment of needs reflects the current needs of the consumer. Excess funds not used for services from the prior year are not used to determine current need. With the automation of the recoupment described above, any unused service funds will be returned to the waiver program.

As of the recoupment of unused funds in July 2007, the CDC+ program has exceeded the budget neutrality requirement. We will continue to monitor budget neutrality until the program is converted from an 1115 demonstration waiver to a 1915j state plan amendment. This conversion will occur no later than March 1, 2008.

In 2006, monitoring of 10% of CDC+ consumer files was conducted by AHCA, with the assistance of APD and DOEA. APD is currently developing a quality assurance work plan that will include a review of each APD - CDC+ consumer purchasing plan. The quality assurance plan is being designed with the following objectives:

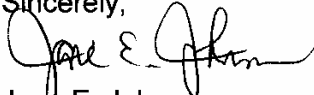
- ◆ To assure cost effectiveness,

<http://apd.myflorida.com>

- ◆ To assure consumers are achieving their stated goals/outcomes,
- ◆ To assure purchasing plans are in compliance with program policies and procedures, and
- ◆ To identify and clarify allowable purchases and program parameters.

We appreciate the interest and efforts of your staff and the professionalism they exhibited in helping to improve operations of state government.

Sincerely,



Jane E. Johnson
Director

cc: Jane Flowers, Audit Manager

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