

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**ALABAMA CLAIMED FEDERAL  
MEDICAID REIMBURSEMENT FOR  
MILLIONS OF DOLLARS IN TARGETED  
CASE MANAGEMENT SERVICES THAT  
DID NOT COMPLY WITH FEDERAL AND  
STATE REQUIREMENTS**

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April 2024  
A-07-22-03253

# *Office of Inspector General*

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## Report in Brief

Date: April 2024

Report No. A-07-22-03253

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Audit

Targeted Case Management (TCM) services assist specific State-designated Medicaid groups in gaining access to medical, social, educational, and other types of services. Previous OIG audits found that some States did not always claim Federal Medicaid reimbursement for TCM services in accordance with Federal and State requirements. Our objective was to determine whether Alabama claimed Federal Medicaid reimbursement for TCM services during Federal fiscal years (FYs) 2019 through 2021 in accordance with Federal and State requirements.

### How OIG Did This Audit

Our audit covered \$123.4 million (\$95.2 million Federal share) in Medicaid payments for TCM services provided and paid for in Alabama during FYs 2019 through 2021 (October 1, 2018, through September 30, 2021).

We reviewed documentation for a stratified random sample of 150 unique TCM grouped line items from the 5 largest target groups in the State to determine whether the services provided were allowable, case managers providing services were qualified, and enrollees receiving services were eligible. We reviewed payment rates to determine whether they matched the approved rates for the period. We compared TCM documentation provided by Alabama to applicable Federal regulations and the State plan supplements governing Alabama's TCM program.

## Alabama Claimed Federal Medicaid Reimbursement for Millions of Dollars in Targeted Case Management Services That Did Not Comply With Federal and State Requirements

### What OIG Found

Alabama did not always claim Federal Medicaid reimbursement for TCM services during FYs 2019 through 2021 in accordance with Federal and State requirements. Of the 150 sampled grouped line items, 24 grouped line items were at least partially unallowable because they had at least 1 error related to unallowable services, case managers lacking required qualification documentation, unsupported services, or ineligible enrollees. Alabama had policies and procedures in place for the administration of TCM services in the State but did not follow them. As a result, providers billed the State (and received payment) for some unallowable TCM services. Based on our sample results, we estimated that Alabama claimed at least \$6.4 million (\$5 million Federal share) in unallowable Medicaid reimbursement for TCM services.

### What OIG Recommends and Alabama Comments

We recommend that Alabama refund to the Federal Government the more than \$5 million (Federal share) in overpayments; and that it improve TCM program oversight by giving additional guidance to TCM providers regarding: billing of services, to verify that they are allowable and non-duplicative; case manager hiring practices, to verify adherence with the State plan's qualification requirements; target group eligibility screening processes, so that only eligible individuals receive TCM services; and the maintenance of supporting documentation for billed services.

Our draft report had identified 33 sampled group line items with errors. Alabama did not directly agree or disagree with our first recommendation but provided additional documentation that aimed to address 18 of the errors that our draft report had identified. In addition, Alabama identified steps it had taken or planned to take to avoid these errors in the future, including a stronger quality assurance protocol, a new electronic record system, and increased technical assistance to, and training of, providers.

After reviewing Alabama's comments and the additional documentation it provided, we revised, for this final report, the number of errors we identified from 33 to 24 sampled grouped line items. Accordingly, we revised our statistical estimate and the dollar amount conveyed in our first recommendation. We maintain that our findings and recommendations, as revised, are valid.

## TABLE OF CONTENTS

INTRODUCTION.....	1
Why We Did This Audit .....	1
Objective .....	1
Background .....	1
Medicaid Program.....	1
Medicaid Coverage of Targeted Case Management Services .....	2
Alabama Medicaid Program and Targeted Case Management.....	2
How We Conducted This Audit.....	3
FINDINGS.....	4
The State Agency Did Not Ensure That All Targeted Case Management Services Complied With Federal and State Requirements .....	5
Federal and State Requirements .....	5
Providers Billed Some Unallowable Services as Targeted Case Management Services.....	5
The State Agency Could Not Provide Documentation for Case Managers’ Qualifications.....	6
Targeted Case Management Provider Documentation Did Not Support the Amount of Targeted Case Management Services Billed .....	7
The State Agency Could Not Provide Documentation for Enrollees’ Eligibility To Receive Targeted Case Management Services .....	7
The State Agency Did Not Provide Any Documentation for Billed Targeted Case Management Services.....	8
Provider Billed More Than Once for the Same Targeted Case Management Service.....	9
The State Agency Did Not Always Follow Its Policies and Procedures To Ensure That Targeted Case Management Providers Complied With Federal and State Requirements.....	9
Effect of Unallowable Targeted Case Management Claims .....	10
RECOMMENDATIONS .....	10
STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE .....	10

Sampled Grouped Line Items Involving Unallowable Services .....	11
State Agency Comments .....	11
Office of Inspector General Response .....	11
Sampled Grouped Line Items Involving Case Managers' Qualification	
Documentation .....	12
State Agency Comments .....	12
Office of Inspector General Response.....	12
Sampled Grouped Line Items Involving the Maintenance of Supporting	
Documentation .....	13
State Agency Comments .....	13
Office of Inspector General Response.....	13
Sampled Grouped Line Items Involving Documentation of Enrollees' Eligibility	
To Receive Targeted Case Management Services .....	13
State Agency Comments .....	13
Office of Inspector General Response .....	13

## APPENDICES

A: Audit Scope and Methodology .....	14
B: Previously Issued Office of Inspector General Reports .....	16
C: Statistical Sampling Methodology .....	17
D: Sample Results and Estimates .....	19
E: Federal and State Requirements for Targeted Case Management .....	20
F: Summary of Errors for Each Sampled Grouped Line Item .....	23
G: State Agency Comments .....	28

## INTRODUCTION

### WHY WE DID THIS AUDIT

Case management services assist Medicaid enrollees in gaining access to medical, social, educational, and other types of services. When these services are furnished to one or more specific populations within a State, they are known as Targeted Case Management (TCM) services. During Federal fiscal years (FYs) 2019 through 2021, the Alabama Medicaid Agency (State agency) claimed \$123.4 million (\$95.2 million Federal share) for TCM services. Previous Office of Inspector General (OIG) audits (Appendix B) found that some States did not always claim Federal Medicaid reimbursement for TCM services in accordance with Federal and State requirements.

### OBJECTIVE

Our objective was to determine whether the State agency claimed Federal Medicaid reimbursement for TCM services during FYs 2019 through 2021 in accordance with Federal and State requirements.

### BACKGROUND

#### Medicaid Program

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.<sup>1</sup> Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

States use the standard Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64 report), to report actual Medicaid expenditures for each quarter. CMS uses the CMS-64 reports to reimburse States for the Federal share of Medicaid expenditures. The amounts that States report on the CMS-64 report and its attachments must reflect actual expenditures and be supported by documentation. The amount that the Federal Government reimburses to State Medicaid agencies, known as Federal financial participation (FFP) or Federal share, is determined by the Federal medical assistance percentage (FMAP), which varies based on a State's relative per capita income. Although FMAPs are adjusted

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<sup>1</sup> A Medicaid State plan is an agreement between a State and the Federal Government describing how that State administers its Medicaid programs. The State plan identifies and describes groups of individuals to be covered, services to be provided, methodologies for providers to be reimbursed, and other administrative activities. When a State is planning to make a change to its program policies or operational approach, it sends one or more State plan amendments (SPAs) to CMS for review and approval.

annually for economic changes in the States, Congress may increase or decrease FMAPs at any time. During our audit period, Alabama’s FMAP ranged from 71.88 percent to 90.00 percent.

### **Medicaid Coverage of Targeted Case Management Services**

The Social Security Act (the Act) authorizes State Medicaid agencies to provide case management services to Medicaid enrollees (§ 1905(a)(19)). Furthermore, the Act defines case management services as “services which will assist individuals eligible under the [State] plan in gaining access to needed medical, social, educational, and other services” (§ 1915(g)(2)).

Federal regulations (42 CFR § 440.169(b)) refer to case management services as TCM services when they are furnished to specific populations in a State. Federal regulations state that allowable TCM services include assessment of an individual to determine service needs, development of a specific care plan, referral and related activities to help the individual obtain needed services, and monitoring and followup activities (42 CFR § 440.169(d)). However, Federal regulations also state that TCM services do not include the direct delivery of the underlying medical, educational, social, or other services to which the Medicaid-eligible individual has been referred, including services such as providing transportation (42 CFR § 441.18(c)).

The CMS *State Medicaid Manual* states that FFP is not available for the specific services needed by an individual as identified through case management activities unless those services are separately reimbursable under Medicaid. Also, FFP is not available for the cost of the administration of the services or programs to which enrollees are referred (*State Medicaid Manual* § 4302.2(G)(1)).

### **Alabama Medicaid Program and Targeted Case Management**

In Alabama, the State agency administers the provision and payment of Medicaid services. The State agency uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process and pay Medicaid claims.

The Alabama State plan addresses the provision of TCM services and designates 10 target groups to receive TCM services:

- Mentally Ill Adults,
- Intellectually Disabled Adults,
- Disabled Children,
- Foster Children,
- Pregnant Women,
- AIDS/HIV Positive Individuals,
- Adult Protective Service Individuals,
- HCBS [Home and Community-Based Services] Technology Assisted Waiver for Adults,

- Substance Use Disorders, and
- High Intensity Care Coordination.

For each target group, the State plan contains information about, among other things, allowable TCM services, enrollee TCM eligibility requirements, and case management provider qualifications.

In general, the State agency receives bills for TCM services from Medicaid providers, reviews and pays those bills, and claims Federal Medicaid reimbursement for these services on the CMS-64 reports.

TCM services for all target groups except the Foster Children, Adult Protective Service, and High Intensity Care Coordination groups were billed on the basis of 5-minute units of service (Alabama State Plan, Attachment 4.19B, “Methods & Standards for Establishing Payment Rates”). The Foster Children, Adult Protective Service, and High Intensity Care Coordination groups were billed on a per-member-per-month (also known as a monthly encounter payment rate) basis.

## **HOW WE CONDUCTED THIS AUDIT**

Our audit covered TCM services that the State agency covered and paid for during FYs 2019 through 2021 (October 1, 2018, through September 30, 2021).<sup>2</sup> We identified a sampling frame of 429,372 unique TCM grouped line items totaling \$123,449,096 (\$95,238,068 Federal share), from which we selected a stratified random sample of 150.<sup>3</sup> We included in our sampling frame only grouped line items from the five largest target groups in the State.<sup>4</sup> For each sampled grouped line item, the State agency gave us case notes describing the TCM services rendered, case manager qualification documents, and enrollee eligibility documents.

We reviewed the documentation that the State agency gave us for services rendered, enrollee eligibility, and provider qualifications to determine whether the TCM services rendered and paid for complied with Federal and State requirements. We also compared the rates that the State agency paid to the payment rates that the State agency had approved.

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<sup>2</sup> A portion of this timeframe was during the COVID-19 Public Health Emergency, in which enrollees were not required to renew enrollment in Medicaid and for which Congress provided an increased FMAP rate (78.17 percent in Alabama).

<sup>3</sup> We grouped the TCM enrollee services by enrollee name, enrollee identification number, date of birth, target group, target group modifier, provider name, and month and year of the TCM service. We refer to the results as “grouped line items.”

<sup>4</sup> These five target groups were Mentally Ill Adults, Intellectually Disabled Adults, Disabled Children, Foster Children, and Adults in Protective Service, which comprised more than 98 percent of the total claims amount for our audit period.

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.

Appendix A contains details of our audit scope and methodology, Appendix B lists previously issued OIG reports, Appendix C contains our statistical sampling methodology, Appendix D contains our sample results and estimates, Appendix E contains details on the Federal and State requirements related to TCM, and Appendix F contains a summary of errors for each sampled grouped line item.

### FINDINGS

The State agency did not always claim Federal Medicaid reimbursement for TCM services during FYs 2019 through 2021 in accordance with Federal and State requirements. Specifically, 24 of the 150 (16 percent) sampled grouped line items were at least partially unallowable because they had at least 1 of the errors listed in Table 1 (1 sampled grouped line item had more than 1 error):

**Table 1: Summary of Errors in Sampled Grouped Line Items**

Type of Error	Number of Sampled Grouped Line Items Containing Errors
TCM providers billed some unallowable services as TCM services	9
State agency could not provide case manager qualification documentation	7
TCM provider documentation did not support the amount of TCM services billed	4
State agency could not provide documentation of the enrollees' eligibility to receive TCM services	2
State agency did not provide any documentation for the sampled grouped line item	2
TCM provider billed more than once for the same TCM service	1

The State agency had policies and procedures in place for the administration of TCM services in Alabama but did not follow them. Specifically, the State agency did not provide the necessary programmatic oversight regarding providers' compliance with the requirements in the State plan. As a result, providers billed the State agency (and received payment) for some unallowable TCM services. The State agency then claimed Federal Medicaid reimbursement for some TCM services that did not comply with Federal and State requirements.

Based on our sample results, we estimated that the State agency claimed at least \$6,465,446 (\$5,039,433 Federal share) in unallowable Medicaid reimbursement for TCM services during FYs 2019 through 2021.<sup>5</sup>

## **THE STATE AGENCY DID NOT ENSURE THAT ALL TARGETED CASE MANAGEMENT SERVICES COMPLIED WITH FEDERAL AND STATE REQUIREMENTS**

The State agency claimed Federal Medicaid reimbursement for some TCM claims that did not comply with Federal and State requirements. Of the 150 sampled grouped line items, 24 were at least partially unallowable for Medicaid reimbursement (1 sampled grouped line item had more than 1 error).

### **Federal and State Requirements**

Federal regulations define the types of services that are allowable and unallowable as TCM services and specify the requirements for maintaining supporting documentation (42 CFR §§ 440.169(d) and 441.18). The relevant CMS-approved State plan amendments define the target population for each group, the types of services available to the target population, and the requirements for providers and case managers (Alabama State Plan, Supplement 1 to Attachment 3.1-A).

### **Providers Billed Some Unallowable Services as Targeted Case Management Services**

Federal regulations state that allowable TCM services include assessment of an individual to determine service needs, development of a specific care plan, referral and related activities to help the individual obtain needed services, and monitoring and followup activities (42 CFR § 440.169(d)).

Federal regulations also state that case management does not include, and FFP is not available for, services defined in section 441.169 when the case management activities constitute the direct delivery of underlying medical, educational, social, or other services to which an eligible individual has been referred, including services such as providing transportation (42 CFR § 441.18(c)).

For nine sampled grouped line items, TCM providers billed the State agency (which then claimed Federal Medicaid reimbursement) for TCM services in which the supporting case notes documented services that did not meet the definition of allowable TCM services. Specifically, some case notes documented services that included: transportation (to appointments, shopping, the bank, and other locations), accompanying the enrollee to county fairs, and dining with the enrollee at restaurants.

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<sup>5</sup> To be conservative, we recommend recovery at the lower limit of a two-sided 90-percent confidence interval. Lower limits calculated in this manner are designed to be less than the actual overpayment total 95 percent of the time.

For example, the State agency claimed unallowable Medicaid reimbursement for a TCM claim that the provider submitted using the following case note as supporting documentation: “[Enrollee] and staff went to the fair in Andalusia. [Enrollee] enjoyed a hotdog, chips, cookies, and soda. We also went to [retail store].”

### **The State Agency Could Not Provide Documentation for Case Managers’ Qualifications**

Federal regulations require the State plan amendments for each target group to specify provider qualifications that are reasonably related to the population being served and the case management services furnished (42 CFR § 441.18(a)(8)(v)).

The CMS *State Medicaid Manual* states that Federal Medicaid reimbursement is “available only for allowable actual expenditures made on behalf of eligible enrollees for covered services rendered by certified providers. Expenditures are allowable only to the extent that, when a claim is filed, you have adequate supporting documentation in readily reviewable form to assure that all applicable Federal requirements have been met” (*State Medicaid Manual* § 2497.1).

The State plan amendments for all relevant target groups except Adult Protective Services require that individual case managers meet the following qualifications:<sup>6</sup>

- at a minimum, a Bachelor of Arts or a Bachelor of Science degree or
- certification as a registered nurse, and
- training in a case management curriculum approved by the State agency.

For the Adult Protective Services group, the case manager qualifications included the following requirements in addition to training in case management curriculum:

- at a minimum, a Bachelor of Arts or Bachelor of Science Degree, preferably in a human services field, and
- eligibility for State social work licensure or exemption from licensure.

For seven sampled grouped line items, the State agency claimed unallowable Federal Medicaid reimbursement for TCM services rendered but for which no case manager credential documentation was available. Specifically, the State could provide no documentation that case managers met the qualification requirements outlined in the State plan. In some cases, the

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<sup>6</sup> Of the five target groups selected in our sample, four target groups had errors involving case managers’ qualifications: Intellectually Disabled Adults, Disabled Children, Foster Children, and Adult Protective Service Individuals.

only education verification performed was self-attestation by the individual when applying for a case manager position.

### **Targeted Case Management Provider Documentation Did Not Support the Amount of Targeted Case Management Services Billed**

A State plan is required to “provide for agreements with every person or institution providing services under the State plan under which such person or institution agrees (A) to keep such records as are necessary to fully disclose the extent of the services provided to individuals receiving assistance under the State plan, and (B) to furnish the State agency or the Secretary [of Health and Human Services] with such information . . . as the State agency or the Secretary may from time to time request” (the Act § 1902(a)(27)).

Case record documentation requirements also appear in Federal regulations at 42 CFR § 441.18(a)(7)(iv), which require providers to maintain case records that document, for all individuals, the nature, content, units of case management services received, and whether the goals of the plan were achieved.

The CMS *State Medicaid Manual* states that Federal Medicaid reimbursement is “available only for allowable actual expenditures made on behalf of eligible enrollees for covered services rendered by certified providers. Expenditures are allowable only to the extent that, when a claim is filed, you have adequate supporting documentation in readily reviewable form to assure that all applicable Federal requirements have been met” (*State Medicaid Manual* § 2497.1).

For four sampled grouped line items, the TCM providers did not maintain documentation to support the full amount of TCM services that they claimed to have rendered to Medicaid enrollees. Specifically, the TCM providers could not furnish case note documentation that accounted for all the TCM services that the providers billed and that the State agency paid for (and then claimed for Federal Medicaid reimbursement). For example, documentation provided for one sampled grouped line item included case notes that described TCM services for 118 units of service; however, the provider billed and was paid for 122 units.

### **The State Agency Could Not Provide Documentation for Enrollees’ Eligibility To Receive Targeted Case Management Services**

TCM services may be offered to individuals in any defined location of the State or to individuals within targeted groups specified in the State plan (42 CFR § 440.169(b)).

The CMS *State Medicaid Manual* states that Federal Medicaid reimbursement is “available only for allowable actual expenditures made on behalf of eligible enrollees for covered services rendered by certified providers. Expenditures are allowable only to the extent that, when a claim is filed, you have adequate supporting documentation in readily reviewable form to

assure that all applicable Federal requirements have been met” (*State Medicaid Manual* § 2497.1).

For two sampled grouped line items, the State agency claimed unallowable Federal Medicaid reimbursement for TCM services rendered but for which no enrollee TCM eligibility documentation was available. Specifically, the State could provide no documentation that TCM providers had screened enrollees to determine whether they met the target group requirements outlined in the State plan.

For example, the State plan amendment for the Adult Protective Service Individuals target group outlines specific circumstances in which an individual may be eligible to receive TCM services (Appendix E). Specifically, the individual must be either (1) “at risk of abuse, neglect, or exploitation . . . ; or mentally incapable of adequately caring for himself or herself and his or her interests without serious consequences to himself or herself or others. . . .” or (2) “at risk of institutionalization due to his/her inability or his/her caretaker’s inability to provide the minimum sufficient level of care in his/her own home.”

In some instances, TCM providers for Adult Protective Service Individuals were unable to provide documentation showing that the enrollees were screened according to these specific requirements. However, the providers still billed the State agency for rendered TCM services for these individuals. The State agency then claimed Federal reimbursement for these billed services.

### **The State Agency Did Not Provide Any Documentation for Billed Targeted Case Management Services**

A State plan is required to “provide for agreements with every person or institution providing services under the State plan under which such person or institution agrees (A) to keep such records as are necessary to fully disclose the extent of the services provided to individuals receiving assistance under the State plan, and (B) to furnish the State agency or the Secretary [of Health and Human Services] with such information . . . as the State agency or the Secretary may from time to time request” (the Act § 1902(a)(27)).

Case record documentation requirements also appear in Federal regulations at 42 CFR § 441.18(a)(7)(iv), which require providers to maintain case records that document, for all individuals, the nature, content, units of case management services received, and whether the goals of the plan were achieved.

The CMS *State Medicaid Manual* states that Federal Medicaid reimbursement is “available only for allowable actual expenditures made on behalf of eligible enrollees for covered services rendered by certified providers. Expenditures are allowable only to the extent that, when a claim is filed, you have adequate supporting documentation in readily reviewable form to assure that all applicable Federal requirements have been met” (*State Medicaid Manual* § 2497.1).

For two sampled grouped line items, the State agency claimed unallowable Federal Medicaid reimbursement for TCM services for which case management documentation was not available. Specifically, the State agency could provide no documentation: of the TCM activities that had been billed, of who rendered the activities, or that the enrollee for whom the services had been billed was eligible as a member of any target group. For example, documentation provided for each of these sampled grouped line items included a note that stated: “[Enrollee] did not begin receiving Support Coordination Services from [provider] until [date].” In both instances, the date specified in the note was after the service month of the sampled grouped line item.

### **Provider Billed More Than Once for the Same Targeted Case Management Service**

If the State agency claims amounts in excess of allowable amounts (overpayments) on a CMS-64 report, it generally must refund the Federal share. Overpayments include duplicate payments (the Act § 1903(d)(2)).

The Medicaid agency has 1 year from the date of discovery of an overpayment to a provider to recover or seek to recover the overpayment before the Federal share must be refunded to CMS (42 CFR § 433.312 (a)).

For one sampled grouped line item, the TCM provider’s case notes included word-for-word duplicate comments that had been recorded for the same number of units in back-to-back 20-minute sessions. Specifically, both case manager notes stated: “SC [Service Coordinator] spoke with individual to determine vaccine status to complete the vaccination survey per Quality Assurance’s request.” This duplication could have been a clerical error that occurred when the case notes were being transcribed for purposes of formal documentation. When we evaluated this sampled grouped line item and calculated the total number of units billed for this service on this date, it was clear that the provider billed the State agency for both instances of this service when only one instance was allowable. The State agency then claimed unallowable Federal reimbursement for both the allowable service and the unallowable (duplicate) service that the provider had also billed.

### **THE STATE AGENCY DID NOT ALWAYS FOLLOW ITS POLICIES AND PROCEDURES TO ENSURE THAT TARGETED CASE MANAGEMENT PROVIDERS COMPLIED WITH FEDERAL AND STATE REQUIREMENTS**

The State agency had policies and procedures in place for the administration of TCM services in Alabama but did not follow them. Specifically, the State agency did not provide the necessary programmatic oversight regarding providers’ compliance with the requirements in the State plan. In this context, necessary programmatic oversight would have involved providing additional guidance to TCM providers regarding case manager hiring practices and enrollee target group eligibility screening processes to ensure that those practices and processes were adequate and properly documented. Additionally, the State agency did not provide adequate guidance to TCM providers regarding the review of billed services to verify that those services were allowable and properly documented. Finally, the State agency did not provide adequate

guidance to TCM providers regarding the maintenance of supporting documentation for billed services.

### **EFFECT OF UNALLOWABLE TARGETED CASE MANAGEMENT CLAIMS**

As a result of the fact that the State agency did not always follow its policies and procedures, TCM providers billed the State agency (and received payment) for some unallowable TCM services. The State agency then claimed Federal Medicaid reimbursement for some TCM services that did not comply with Federal and State requirements.

Based on our sample results, we estimated that the State agency claimed at least \$6,465,446 (\$5,039,433 Federal share) in unallowable Medicaid reimbursement for TCM services during FYs 2019 through 2021 (footnote 5).

### **RECOMMENDATIONS**

We recommend that the Alabama Medicaid Agency:

- refund to the Federal Government \$5,039,433 (Federal share) in overpayments; and
- improve TCM program oversight by giving additional guidance to TCM providers regarding:
  - billing of services, to verify that they are allowable and non-duplicative;
  - case manager hiring practices, to verify adherence with the State plan’s qualification requirements;
  - target group eligibility screening processes, so that only eligible individuals receive TCM services; and
  - the maintenance of supporting documentation for billed services.

### **STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, the State agency did not directly agree or disagree with our first recommendation; however, it provided additional documentation that aimed to address 18 of the errors that our draft report had identified. The State agency said that it “appreciates OIG’s willingness to review this additional information. After the OIG’s review of the additional information, the State will review the findings, make a determination and refund the Federal government the appropriate federal share.” For our second recommendation, which consists of four sub-recommendations, the State agency did not concur with some of the errors identified in two of the sub-recommendations and said that it did not contest the errors identified in the other two sub-recommendations.

In addition, the State agency identified steps it had taken or planned to take to avoid these errors in the future. Specifically, the State agency said that it had implemented a stronger quality assurance protocol and a new electronic record system. The State agency also said that it would increase its technical assistance to, and training of, providers and that it would reiterate to providers the importance of documentation.

A summary of the State agency's comments (which refer from time to time to provider qualifications, enrollee eligibility, and other additional documentation separately provided to us) and our responses follows. We excluded the additional documentation from the State agency's comments because that documentation contained personally identifiable information. The State agency's comments appear as Appendix G.

After reviewing the State agency's comments and the additional documentation that the State agency provided, we revised, for this final report, the number of errors we identified from 33 to 24 sampled grouped line items. Accordingly, we revised our statistical estimate and the dollar amount conveyed in our first recommendation. We maintain that our findings and first recommendation, as revised, are valid. We also maintain that our second recommendation, and all of its sub-recommendations, regarding the State's agency's oversight of its TCM program, remain valid.

## **SAMPLED GROUPED LINE ITEMS INVOLVING UNALLOWABLE SERVICES**

### **State Agency Comments**

The State agency said that it did not contest the errors for services rendered that did not meet the definition of TCM services but were billed as TCM services. The State agency described actions taken to avoid these errors in the future:

The state agency providing TCM services related to these errors has implemented a stronger quality assurance protocol for record review. The random sample size will be stratified by each Support Coordination Agency to ensure a representative sample is met (95% +/-5%). The state agency has also implemented a new electronic record system that is more conducive to maintaining the level of detail required for this service.

### **Office of Inspector General Response**

We commend the State agency for the corrective actions it has taken and plans to take to ensure that only allowable TCM services are billed.

## **SAMPLED GROUPED LINE ITEMS INVOLVING CASE MANAGERS' QUALIFICATION DOCUMENTATION**

### **State Agency Comments**

The State agency did not concur with 14 of the 16 sampled grouped line items in which our draft report had errors related to case manager experience and provided additional documentation for some of these sampled grouped line items. The State agency said:

The Case Managers in the samples [sampled items] related to this finding are Merit Employees with the State of Alabama. The State of Alabama Personnel Department verifies education requirements of a potential candidate prior to identifying the individual as eligible for hire at the associated State Agency. The position classification clearly states the level of education required.

### **Office of Inspector General Response**

For 12 of the 14 sampled grouped line items with which the State agency did not concur, the State agency separately gave us case manager qualification documentation (some of which included transcripts, diplomas, and other documents). This additional documentation resolved 9 of the 16 sampled grouped line items that our draft report had identified as unallowable. We therefore reduced the number of sampled items in error associated with this finding from 16 to 7, and adjusted the associated statistical estimate, as well as the dollar amount in our first recommendation, accordingly.

Of the seven sampled grouped line items that remain in this finding, the State agency agreed with us on two sampled grouped line items. For the remaining five sampled grouped line items with which the State agency did not concur, the State agency did not provide documentation that supported that the case managers rendering services met the educational requirements of the State plan.

We acknowledge that the case managers associated with the sampled grouped line items in question were Merit employees and that it was the responsibility of the Alabama Personnel Department to verify education requirements prior to an individual being determined eligible for the position. However, during our audit we reviewed education documentation to determine whether the Alabama Personnel Department could support that it had verified educational requirements. For six of the seven sampled grouped line items with this error, the documentation given to us did not support that the qualification requirements were met, and for the remaining sampled grouped line item, no qualification documentation was given to us.

## **SAMPLED GROUPED LINE ITEMS INVOLVING THE MAINTENANCE OF SUPPORTING DOCUMENTATION**

### **State Agency Comments**

The State agency said that it did not contest the errors related to the maintenance of the supporting documentation for billed services. The State agency said that it had taken steps to address these issues by having “individual meetings with Support Coordination agencies to provide ongoing technical assistance.” Additionally, the State agency said it would “increase the frequency of the ongoing training for all Support Coordination agencies.”

### **Office of Inspector General Response**

We commend the State agency for the corrective actions it has taken and plans to take to ensure proper maintenance of supporting documentation.

## **SAMPLED GROUPED LINE ITEMS INVOLVING DOCUMENTATION OF ENROLLEES’ ELIGIBILITY TO RECEIVE TARGETED CASE MANAGEMENT SERVICES**

### **State Agency Comments**

The State agency did not concur with four of the five sampled grouped line items that our draft report had identified for which the State agency was unable to provide documentation of the enrollees’ eligibility to receive TCM services. The State agency gave us additional documentation for these four sampled grouped line items and said that “[t]he remaining error was a claim submitted by a state agency that no longer provides TCM services. That error should be resolved and there will no longer be billing from that state agency.”

### **Office of Inspector General Response**

The additional documentation provided by the State agency for four sampled grouped line items resolved three of the five errors related to enrollee eligibility that our draft report had identified. We therefore reduced the number of sampled grouped line items associated with this finding from five to two, and adjusted the associated statistical estimate, as well as the dollar amount in our first recommendation, accordingly.

Of the remaining two sampled grouped line items in this finding, the State agency agreed with our finding on one sampled grouped line item. With respect to the final sample item with which the State agency did not concur, and for which it provided additional documentation, the documents did not support that the enrollee was eligible to receive services. Specifically, the screening document: did not specify that the enrollee was (1) in danger of abuse, neglect, or exploitation; or mentally incapable of adequately caring for himself or herself or (2) at risk of institutionalization as prescribed by the State plan; was signed “declined;” and stated only that a civil rights pamphlet was given to the enrollee.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

Our audit covered TCM services that the State agency provided and paid for during FYs 2019 through 2021 (October 1, 2018, through September 30, 2021).

We identified a sampling frame of 429,372 grouped line items of TCM enrollee services (footnote 3) totaling \$123,449,096 (\$95,238,068 Federal share)—which included claims from the 5 largest target groups in the State (footnote 4)—from which we selected a stratified random sample of 150. We obtained and reviewed case notes and other documentation for each TCM service rendered, as well as case manager qualification and enrollee eligibility documents, to determine whether the TCM services for which the State agency paid complied with applicable Federal and State requirements.

We assessed internal controls necessary to satisfy the audit objective. In particular, we assessed the control activities related to the State agency's administration of the TCM program, which included services rendered by TCM providers.

We conducted our audit work from July 2022 to December 2023.

### METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, Federal and State regulations, the CMS *State Medicaid Manual*, and the Alabama TCM State plan and its amendments;
- held discussions with State agency officials to gain an understanding of the TCM program's operation;
- obtained the MMIS claims data for TCM services provided and paid for in FYs 2019 through 2021;
- reconciled the MMIS claims payment data for TCM services to the Medicaid payments that the State agency claimed on the CMS-64 reports for FYs 2019 through 2021;
- developed a sampling frame of MMIS claims for TCM services provided and paid for during FYs 2019 through 2021, which consisted of 429,372 unique TCM grouped line items;
- selected a stratified random sample of 150 grouped line items and reviewed supporting documentation for each of these to:

- determine whether the TCM service(s) rendered were allowable according to the TCM State plan and whether the unit(s) charged were reasonable,
- determine whether the enrollee was eligible for TCM services,
- determine whether the TCM case manager(s) was qualified to provide TCM services, and
- determine whether the payment rate(s) used to determine payments were accurate;
- used the results of the sample to estimate (Appendix D) the unallowable Federal Medicaid reimbursement associated with the errors we identified (for which we are recommending refund to the Federal Government);
- discussed the results of our audit with State agency officials on September 26, 2023; and
- reviewed additional documentation that the State agency separately gave to us along with its comments on our draft report.

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.

**APPENDIX B: PREVIOUSLY ISSUED  
OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>Montana Claimed Federal Medicaid Reimbursement for More Than \$5 Million in Targeted Case Management Services That Did Not Comply With Federal and State Requirements.</i>	<a href="#"><u>A-07-21-03246</u></a>	8/26/2022
<i>Nebraska Claimed Almost All Medicaid Payments for Targeted Case Management Services in Accordance With Federal Requirements but Claimed Some Unallowable Duplicate Payments</i>	<a href="#"><u>A-07-19-03239</u></a>	12/1/2020
<i>Missouri Claimed Some Unallowable Medicaid Payments for Targeted Case Management Services</i>	<a href="#"><u>A-07-17-03219</u></a>	3/5/2019
<i>Colorado Claimed Some Unallowable Medicaid Payments for Targeted Case Management Services</i>	<a href="#"><u>A-07-16-03215</u></a>	4/4/2018
<i>North Dakota Claimed Some Unallowable Medicaid Payments for Targeted Case Management Services</i>	<a href="#"><u>A-07-16-03210</u></a>	10/27/2016
<i>Connecticut Claimed Unallowable Medicaid Payments for Targeted Case Management Services Provided to Individuals With Chronic Mental Illness</i>	<a href="#"><u>A-01-14-00001</u></a>	8/7/2015
<i>Missouri Claimed Unallowable Medicaid Payments for Targeted Case Management Services Provided to Individuals With Developmental Disabilities</i>	<a href="#"><u>A-07-13-03193</u></a>	10/30/2014
<i>Iowa Medicaid Payments for Targeted Case Management for Fiscal Years 2003 and 2004</i>	<a href="#"><u>A-07-06-03078</u></a>	11/9/2007
<i>Review of Minnesota Medicaid Reimbursement for Targeted Case Management Services for Fiscal Years 2003 and 2004</i>	<a href="#"><u>A-05-05-00059</u></a>	10/18/2007
<i>Review of Medicaid Targeted Case Management Services Provided by the Maine Bureau of Child and Family Services During Federal Fiscal Years 2002 and 2003</i>	<a href="#"><u>A-01-05-00004</u></a>	12/7/2007
<i>Review of Targeted Case Management Services Rendered by the Massachusetts Department of Social Services During Federal Fiscal Years 2002 and 2003</i>	<a href="#"><u>A-01-04-00006</u></a>	5/19/2006

## APPENDIX C: STATISTICAL SAMPLING METHODOLOGY

### SAMPLING FRAME

The sampling frame consisted of 429,372 grouped line items of TCM enrollee services (footnote 3) that were provided in 5 target groups (footnote 4) during the period of FYs 2019 through 2021 and for which the State agency paid providers during that same time period. The grouped line items in the sampling frame had a total reimbursement of \$123,449,096 (\$95,238,068 Federal share).

### SAMPLE UNIT

The sample unit was one TCM grouped line item.

### SAMPLE DESIGN AND SAMPLE SIZE

Our sample design was a stratified random sample containing three strata, as shown in Table 2:

**Table 2: Division of Strata for Sample Design**

Stratum	Dollar Range	Number of Frame Units	Frame Dollar Value (Total)	Frame Dollar Value (Federal Share)	Sample Size
1	\$5.00 – \$345.00	245,152	\$34,004,695	\$26,161,420	50
2	\$347.82 – \$430.00	124,130	52,657,267	40,552,471	50
3	\$431.55 – \$3,390.75	60,090	36,787,134	28,524,176	50
	<b>Totals</b>	<b>429,372</b>	<b>\$123,449,096</b>	<b>\$95,238,068<sup>7</sup></b>	<b>150</b>

### SOURCE OF RANDOM NUMBERS

We generated the random numbers using the OIG, Office of Audit Services (OAS), statistical software.

### METHOD FOR SELECTING SAMPLED GROUPED LINE ITEMS

We sorted the items in each stratum by first name, last name, date of birth, Medicaid identification number, target group, modifier, provider, month of service, and payment rate. We then consecutively numbered the items in each stratum in the sampling frame. After generating random numbers for each of these strata, we selected the corresponding frame items for review.

<sup>7</sup> The amount shown is rounded. The actual amount is \$95,238,067.92.

## **ESTIMATION METHODOLOGY**

We used the OIG, OAS, statistical software to estimate the total dollar value of the State agency's unallowable payments for TCM services in our sampling frame at the lower limit of the two-sided 90-percent confidence interval (Appendix D). Lower limits calculated in this manner are designed to be less than the actual overpayment total 95 percent of the time.

**APPENDIX D: SAMPLE RESULTS AND ESTIMATES**

**Table 3: Sample Results (Total)**

<b>Stratum</b>	<b>Frame Size</b>	<b>Value of Frame</b>	<b>Sample Size</b>	<b>Value of Sample</b>	<b>Number of Unallowable Sampled Grouped Line Items</b>	<b>Value of Unallowable Sampled Grouped Line Items</b>
1	245,152	\$34,004,695	50	\$7,427	9	\$701
2	124,130	52,657,267	50	21,268	4	1,306
3	60,090	36,787,134	50	27,178	11	3,673
<b>Total</b>	<b>429,372</b>	<b>\$123,449,096</b>	<b>150</b>	<b>\$55,873</b>	<b>24</b>	<b>\$5,680</b>

**Table 4: Sample Results (Federal Share)**

<b>Stratum</b>	<b>Frame Size</b>	<b>Value of Frame</b>	<b>Sample Size</b>	<b>Value of Sample</b>	<b>Number of Unallowable Sampled Grouped Line Items</b>	<b>Value of Unallowable Sampled Grouped Line Items</b>
1	245,152	\$26,161,420	50	\$5,703	9	\$568
2	124,130	40,552,471	50	16,683	4	1,042
3	60,090	28,524,176	50	21,009	11	2,868
<b>Total</b>	<b>429,372</b>	<b>\$95,238,068<sup>8</sup></b>	<b>150</b>	<b>\$43,395</b>	<b>24</b>	<b>\$4,478</b>

**Table 5: Estimated Value of Unallowable Payments in the Sampling Frame  
(Limits Calculated at the 90-Percent Confidence Level)**

	<b>Total</b>	<b>Federal Share</b>
<b>Point estimate</b>	\$11,095,376	\$8,816,988
<b>Lower limit</b>	6,465,446	5,039,433
<b>Upper limit</b>	15,725,306	12,594,543

<sup>8</sup> The amount shown is rounded. The actual amount is \$95,238,067.92.

## **APPENDIX E: FEDERAL AND STATE REQUIREMENTS FOR TARGETED CASE MANAGEMENT**

### **FEDERAL REQUIREMENTS**

A State plan is required to “provide for agreements with every person or institution providing services under the State plan under which such person or institution agrees (A) to keep such records as are necessary to fully disclose the extent of the services provided to individuals receiving assistance under the State plan, and (B) to furnish the State agency or the Secretary [of Health and Human Services] with such information . . . as the State agency or the Secretary may from time to time request” (the Act § 1902(a)(27)).

If the State agency claims amounts in excess of allowable amounts (overpayments) on a CMS-64 report, it generally must refund the Federal share. Overpayments include duplicate payments (the Act § 1903(d)(2)).

Federal regulations (42 CFR §§ 440.169(a) and (b)) define TCM services as 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.

Federal regulations (42 CFR § 440.169(d)) state that the assistance that TCM case managers provide in assisting eligible individuals to obtain services may include:

- (1) Comprehensive assessment and periodic reassessment of individual needs, to determine the need for any medical, educational, social, or other services . . . .
- (2) Development (and periodic revision) of a specific care plan based on the information collected through the assessment . . . .
- (3) Referral and related activities (such as scheduling appointments for the individual) to help the eligible individual obtain needed services, including activities that help link the individual with medical, social, and educational providers or other programs and services that are capable of providing needed services to address identified needs and achieve goals specified in the care plan.
- (4) Monitoring and follow-up activities, including activities and contacts that are necessary to ensure that the care plan is effectively implemented and adequately addresses the needs of the eligible individual and which may be with the individual, family members, service providers, or other entities or individuals and conducted as frequently as necessary, and including at least one annual monitoring . . . .

Federal regulations require TCM providers to maintain case records that document, for all individuals receiving TCM services, “[t]he nature, content, units of the [TCM] services received and whether goals specified in the care plan have been achieved” (42 CFR § 441.18(a)(7)(iv)).

Federal regulations require the State plan amendments for each target group to specify provider qualifications that are reasonably related to the population being served and the case management services furnished (42 CFR § 441.18(a)(8)(v)).

Federal regulations state that TCM “does not include, and FFP is not available in expenditures for, services defined in § 441.169 of this chapter when the [TCM] activities constitute the direct delivery of underlying medical, educational, social, or other services to which an eligible individual has been referred, including for . . . services such as, but not limited to,” providing transportation (42 CFR § 441.18(c)).

The CMS *State Medicaid Manual* states that FFP is not available for the specific services needed by an individual as identified through TCM activities unless they are separately reimbursable under Medicaid. Also, FFP is not available for the cost of the administration of the services or programs to which enrollees are referred (*State Medicaid Manual* § 4302.2(G)(1)).

The CMS *State Medicaid Manual* states that Federal Medicaid reimbursement is “available only for allowable actual expenditures made on behalf of eligible enrollees for covered services rendered by certified providers. Expenditures are allowable only to the extent that, when a claim is filed, you have adequate supporting documentation in readily reviewable form to assure that all applicable Federal requirements have been met” (*State Medicaid Manual* § 2497.1).

## **STATE REQUIREMENTS**

The TCM State plan amendments’ definition of TCM services closely mirrors the definition of TCM services set forth in 42 CFR § 440.169. The State plan language defines TCM as services that assist eligible individuals in gaining access to needed medical, social, educational, and other services.

The State plan amendments require that individual case managers have, at a minimum, a Bachelor of Arts degree or a Bachelor of Science degree or be a registered nurse (or, for the Adult Protective Services group, eligibility for State social work licensure or exemption from licensure rather than a nursing requirement). Additionally, these individuals must obtain training in a case management curriculum approved by the State agency (Alabama State Plan, Supplement 1 to Attachment 3.1-A).

Eligibility requirements for the Disabled Children target group identify participants as those 20 years of age and younger and considered disabled as defined in the following subgroups: intellectually disabled/related conditions; seriously emotionally disturbed; sensory impaired; disabling health condition; developmentally delayed; or a combination of two or more disabling

conditions (Alabama State Plan, Supplement 1 to Attachment 3.1-A, Disabled Children Target Group).

Eligibility requirements for the Adult Protective Service target group state that the population to be served consists of those 18 years of age or older and (A) at risk of abuse, neglect, exploitation; or mentally incapable of adequately caring for himself/herself and his/her interests without serious consequences to himself/herself or others, or who, because of physical or mental impairment, is unable to protect himself/herself from abuse, neglect, exploitation, sexual abuse, or emotional abuse by others, and who has no guardian, relative, or other appropriate personable, willing, and available to assume the kind and degree of protection and supervision required under the circumstances; or (B) at risk of institutionalization due to the individual's (or caretaker's) inability to provide the minimum sufficient level of care in his/her own home (Alabama State Plan, Supplement 1 to Attachment 3.1-A, Adult Protective Service Target Group).

**APPENDIX F: SUMMARY OF ERRORS FOR EACH  
SAMPLED GROUPED LINE ITEM**

**Table 6: Errors Identified for Each Sampled Group Line Item**

<b>Sample Number</b>	<b>TCM providers billed some unallowable services as TCM services</b>	<b>State agency could not provide case manager qualification documents</b>	<b>TCM provider documentation did not support the amount of TCM services billed</b>	<b>State agency could not provide documentation of the enrollees' eligibility to receive TCM services</b>	<b>State agency did not provide any documentation for the sampled grouped line item</b>	<b>TCM provider billed more than once for the same TCM service</b>
1						
2						
3						
4						
5						
6						
7						X
8						
9						
10						
11						
12						
13						
14						
15	X					
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26		X				
27						
28				X		
29					X	

Sample Number	TCM providers billed some unallowable services as TCM services	State agency could not provide case manager qualification documents	TCM provider documentation did not support the amount of TCM services billed	State agency could not provide documentation of the enrollees' eligibility to receive TCM services	State agency did not provide any documentation for the sampled grouped line item	TCM provider billed more than once for the same TCM service
30						
31						
32			X			
33						
34						
35						
36		X				
37						
38						
39						
40						
41						
42	X					
43						
44						
45	X					
46						
47						
48						
49						
50						
51						
52						
53						
54						
55						
56						
57						
58	X					
59						
60						
61						
62						

Sample Number	TCM providers billed some unallowable services as TCM services	State agency could not provide case manager qualification documents	TCM provider documentation did not support the amount of TCM services billed	State agency could not provide documentation of the enrollees' eligibility to receive TCM services	State agency did not provide any documentation for the sampled grouped line item	TCM provider billed more than once for the same TCM service
63		X				
64						
65						
66						
67						
68						
69						
70						
71						
72						
73						
74						
75						
76						
77						
78						
79						
80						
81		X				
82						
83						
84						
85						
86						
87						
88						
89						
90						
91						
92						
93						
94						
95						

Sample Number	TCM providers billed some unallowable services as TCM services	State agency could not provide case manager qualification documents	TCM provider documentation did not support the amount of TCM services billed	State agency could not provide documentation of the enrollees' eligibility to receive TCM services	State agency did not provide any documentation for the sampled grouped line item	TCM provider billed more than once for the same TCM service
96						
97						
98						
99		X				
100						
101						
102						
103		X				
104			X			
105						
106						
107						
108						
109						
110						
111						
112						
113						
114						
115						
116		X				
117						
118						
119						
120						
121						
122						
123	X					
124	X					
125	X					
126						
127						
128						

Sample Number	TCM providers billed some unallowable services as TCM services	State agency could not provide case manager qualification documents	TCM provider documentation did not support the amount of TCM services billed	State agency could not provide documentation of the enrollees' eligibility to receive TCM services	State agency did not provide any documentation for the sampled grouped line item	TCM provider billed more than once for the same TCM service
129						
130						
131						
132						
133	X					
134						
135			X			
136						
137	X		X			
138				X		
139						
140						
141						
142						
143						
144					X	
145						
146						
147						
148						
149						
150						
<b>Totals</b>	<b>9</b>	<b>7</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>1</b>

# Alabama Medicaid Agency



KAY IVEY  
Governor

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STEPHANIE MCGEE AZAR  
Commissioner

February 9, 2024

James I. Korn  
Regional Inspector General for Audit Services  
Office of Audit Services, Region VII  
601 East 12<sup>th</sup> Street, Room 0429  
Kansas City, MO 64106

Re: Report Number: A-07-22-03253

Dear Mr. Korn:

The Alabama Medicaid Agency (Alabama Medicaid) welcomes the opportunity to comment on the preliminary findings in the draft report prepared by the Office of Inspector General (OIG). Alabama Medicaid has and continues to do explementary work in claiming Targeted Case Management (TCM) Services in accordance with federal and state requirements.

- **OIG Recommendation 1:** We recommend that the Alabama Medicaid Agency refund to the Federal Government \$10,446,166 (federal share) in overpayments:

**Alabama Medicaid Comment:** Alabama Medicaid has provided additional documentation to address 18 of the errors. Alabama Medicaid appreciates OIG's willingness to review this additional information. After the OIG's review of the additional information, the State will review the findings, make a determination and refund the Federal Government the appropriate federal share.

- **OIG Recommendation 2:** We recommend that the Alabama Medicaid Agency improve TCM program oversight by giving additional guidance to TCM providers regarding:

- Case manager hiring practices, to verify adherence with the State plan's qualification requirements;

**Alabama Medicaid Comment:** For 14 of the 16 errors Alabama Medicaid does not concur with OIG's assessment of the State's hiring practices. The Case Managers in the samples related to this finding are Merit Employees with the State of Alabama. The State of Alabama Personnel Department verifies education requirements of a potential candidate prior to identifying the individual as eligible for hire at the associated State Agency. The position classification clearly states the level of education required. Additional information has been submitted.

For two of the 16, the TCM Agency will reiterate to providers the importance of having the documentation available and legible for review.

- Billing of services, to verify that they are allowable and non-duplicative;

**Alabama Medicaid Comment:** Alabama Medicaid does not contest these errors. The state agency providing TCM services related to these errors has implemented a stronger quality assurance protocol for record review. The random sample size will be stratified by each Support Coordination Agency to ensure a representative sample is met (95% +/-5%). The state agency has also implemented a new electronic record system that is more conducive to maintaining the level of detail required for this service.

- Target group eligibility screening processes, so that only eligible individuals receive TCM services; and

**Alabama Medicaid Comment:** Alabama Medicaid does not concur with 4 of the 5 errors. Additional information has been provided that documents the recipients eligibility for services. Alabama Medicaid appreciates OIG's willingness to review this additional information. The remaining error was a claim submitted by a state agency that no longer provides TCM services. That error should be resolved and there will no longer be billing from that state agency.

- The maintenance of supporting documentation for billed services.

**Alabama Medicaid Comment:** Alabama Medicaid does not contest these 7 errors. The state agency providing services related to these errors will have individual meetings with Support Coordination agencies to provide ongoing technical assistance. Additionally, the state agency will increase the frequency of the ongoing training for all Support Coordination agencies.

Thank you again for the opportunity to respond to the preliminary findings. Please let us know if we can provide you with any further information.

Sincerely,

/s/

Stephanie McGee Azar  
Commissioner