

**Summary of Federal Audits, Reviews, and Deferrals
Business Plan**

<p>Child Welfare (CW) Managed Care Deferrals (FY04-FY05)</p>	<ul style="list-style-type: none"> ● Centers for Medicare and Medicaid Services (CMS) deferred 8 quarters of CW claims (quarters ending 9/30/03 to 6/30/05) totaling \$47.5 million because CW providers did not meet the managed care requirement of the Balanced Budget Act. ● All 8 quarters of deferrals have all been covered in the Medicaid account through the Consensus Caseload process, budget requests, fee fund transfers, and a \$5.5 million settlement with CMS for the 3 quarters ended 3/31/2004. ● We are still attempting to negotiate a settlement for the remaining deferred amount which totals \$25.4 million.
<p>Child Welfare Fee-For-Service Deferrals (FY06 - current)</p>	<ul style="list-style-type: none"> ● Effective July 1, 2005, SRS implemented new CW contracts and removed all Medicaid from the CW contracts to end the deferrals. All medical services for children in the State's care are provided fee-for-service by Medicaid providers. ● CMS has continued to defer all mental health services for children in CW on the basis that the state plan does not allow for the payments and that adequate edits and audits are not in place. ● To date four quarters have been deferred (QE 9/30/05 to 6/30/06) totaling \$16.9 million. ● All of the deferrals have been covered in the Medicaid account through the budget process and fee fund transfers. ● SRS, KHPA, and CMS have agreed on a set of manual adjustments to be applied to each Medicaid claim to calculate a settlement amount. We are currently working on applying the manual adjustments to each claim since July 1, 2005, and hope to have a settlement with CMS by the end of the fiscal year.
<p>OIG Audit of Child Welfare Medicaid Expenditures (FY01-FY03)</p>	<ul style="list-style-type: none"> ● The Office of Inspector General (OIG) reviewed all child welfare behavior management claims for the three fiscal years ending June 30, 2003. ● In the March 2006 exit conference, OIG questioned all \$83 million of federal Medicaid funds that were claimed during the audit period. The draft report has not been received. ● SRS has completed significant follow-up of the preliminary findings with assistance from accounting and legal contractors and expects to work with CMS to resolve the concerns as soon as the draft report is issued.
<p>OIG Audit of Title IV-E Foster Care Administrative Claims</p>	<ul style="list-style-type: none"> ● OIG is currently reviewing all Title IV-E administrative expenditures for the five fiscal years 7/1/00 to 6/30/05. ● This audit started in May and is still in progress. The auditors are looking at financial records, cost allocation methodology, the CW contracts, JJA expenditures, and client case files. ● OIG plans to audit all states. Kansas is the first to receive this review.
<p>OIG Audit of DDS Indirect Costs</p>	<ul style="list-style-type: none"> ● In 2002, the Social Security Administration (SSA) OIG audited the Disability Determination Services' (DDS) administrative charges and concluded that indirect costs were not allocated correctly to the DDS program between July 1, 1998 and March 31, 2002. ● OIG calculated that SRS over-claimed \$4.9 million from SSA for indirect costs that should have been allocated to other programs. ● The findings were appealed on the basis that SRS was operating under an approved cost allocation plan. The first appeal was lost but SRS appealed a second time to the Health and Human Services (HHS) Departmental Appeals Board (DAB). ● The DAB issued their report in December 2006 ruling against SRS for \$0.6 million that was allocated to DDS and not allocated to the State Hospitals as required. The remaining \$4.3 million finding was remanded back to SSA to work with the Division of Cost Allocation (DCA) to recalculate an amount.

**Summary of Federal Audits, Reviews, and Deferrals
Business Plan**

<p>CMS Financial Management Review (FMR) of Parent Fees</p>	<ul style="list-style-type: none"> ● CMS completed a Financial Management Review (FMR) of parent fees collected for children served through the HCBS Waivers. ● In July 2006, CMS issued a draft report stating that SRS can not collect fees from families, but if fees are collected, they should be shared with CMS. ● SRS has contested the findings and has not yet received a response.
<p>CMS FMR of CDDO Targeted Case Management (TCM)</p>	<ul style="list-style-type: none"> ● CMS completed an FMR for TCM provided by CDDOs. ● In the September 2006 exit conference, CMS stated that CDDOs are not public entities and can not certify match for Medicaid. They also found that CDDOs were reimbursed in excess of what it actually cost to provide the services ● SRS and KHPA have sent a letter to CMS disputing the findings and asking for a reconsideration. ● KHPA has also established a workgroup to modify the state’s claiming methodology for TCM across all programs. ● A draft report has not yet been received.
<p>CMS FMR of CDDO Administrative Payments</p>	<ul style="list-style-type: none"> ● CMS Regional completed a FMR of Medicaid payments and the use of certified match for CDDO Administration. ● In the September 2006 exit conference, CMS stated that CDDOs are not public entities and can not certify match for Medicaid. They also found that CDDOs did not have sufficient detail to claim the expenditures. ● SRS and KHPA have sent a letter to CMS disputing the findings and asking for a reconsideration. ● A draft report has not yet been received.
<p>Community Mental Health Centers’ (CMHC) Administrative Claiming</p>	<ul style="list-style-type: none"> ● OIG reviewed the first two quarters of this program (QE 12/31/03 and 3/31/04) and expressed concerns with the payment methodology. OIG recommended SRS work with CMS to resolve the issues ● SRS and CMS agreed on the needed changes and SRS made the required changes to the Administrative Claiming Handbook and to the Time Study. ● SRS began a new in-house time study on October 1, 2006 and plans to have an allowable claim for the December 2006 quarter. Based on this quarter, SRS and CMS will determine the allowable claim amount for all the quarters back to the start of the program in October 2003. ● Funds received will go to the CMHC as reimbursement for administrative expenses.
<p>FMR of State MH Hospitals</p>	<ul style="list-style-type: none"> ● CMS Regional Office has completed a review to determine if the State Mental Health Hospitals receive sufficient state funds to provide the “certified match” for Medicaid. Since the hospitals received the state funds directly and not through the Medicaid system, CMS views this as a certified match program. ● The draft report has not been received. SRS does not anticipate any significant negative findings.
<p>State Hospital Medicaid Education Disallowance</p>	<ul style="list-style-type: none"> ● In October 2002 CMS deferred and later disallowed \$11.1 million FFP related to education expenses provided in State Hospitals. ● Recently, CMS disallowed an additional \$2.5 million that they state is part of the original deferral and was not disallowed previously bringing the total to \$13.6 million. ● The Departmental Appeals Board has found in CMS’ favor and agreed the total was higher than the original disallowance. ● SRS is requesting a reconsideration of the DAB for the \$2.5 million that was claimed properly. SRS is also filing an action in Federal court for the entire disallowed amount.