John Keel, CPA
State Auditor

An Audit Report on

The Community Based Alternatives Program at the Department of Aging and Disability Services

June 2006

Report No. 06-044

State Auditor's Office

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Overall Conclusion

Using its current level of funding, the Department of Aging and Disability Services (Department) could provide services to significantly more clients in the Community Based Alternatives (CBA) program if it did two things:

- **The Department could serve more CBA clients if it reduced regional differences in services provided to clients with similar needs.** The Department has delegated decision-making for the CBA program to staff in its regional offices, but it has not sufficiently monitored those offices to ensure consistency across regions. Auditors estimated that the Department could save between $12.1 million and $41.1 million in state and federal funds annually by reducing differences in the number of personal attendant care hours that similar clients receive in different regions of the state.[1] The amount saved could enable the Department to provide services to an additional 800 to 2,750 clients.

- **The Department could serve more CBA clients if it improved its monitoring of contracted service providers.** The Department has not adequately monitored contracted providers of CBA services to prevent them from overstating clients' needs or admitting clients who do not meet functional eligibility requirements for the CBA program. CBA service providers overstated the needs of 53 percent of clients in a judgmental sample auditors tested. Providers have an incentive to overstate client needs because this allows them to deliver additional services and, therefore, receive additional payments from the State.

Background Information on the Community Based Alternatives (CBA) Program

The CBA program is a Medicaid waiver program that provides home and community-based services to aged and disabled adults as cost-effective alternatives to institutional care in nursing facilities. The program serves about 30,000 clients.

CBA program expenditures totaled approximately $450 million in fiscal year 2005.

Examples of CBA services include:

- Personal attendant care (which accounts for 75 percent of program expenditures)
- Assisted living services
- Adaptive aids (such as a hospital bed)
- Minor home modifications (such as a wheelchair ramp)
- Medical supplies

The Department's monitoring of CBA providers does not consistently hold providers accountable for the delivery of quality services at a fair price. For example, the

[1] Because the CBA program is a Medicaid program, approximately 60 percent of the funding for this program is provided by the federal government and approximately 40 percent is provided by the State.

This audit was conducted in accordance with Texas Government Code, Sections 321.0131 and 321. 0132.

For more information regarding this report, please contact John Young, Audit Manager, or John Keel, State Auditor, at (512) 936-9500.

Department does not verify that providers deliver the authorized number of personal attendant care hours. The Department gathers CBA client satisfaction information, but it does not use that information to monitor providers and it has not taken measures to minimize the subjectivity of that information. Auditors also identified numerous problems with bidding and specifications for minor home modifications that likely result in higher costs to the State and lower quality of service. The Department's contract monitoring function did not identify those problems.

The Department also has not adequately secured information in the automated system it uses to manage the CBA "interest list," which stores information regarding individuals waiting for CBA services. The system does not track changes to critical dates that are used to select individuals off the list, and system access for more than 100 terminated employees has not been removed. Because this system lacks basic automated controls, auditors cannot provide assurance about whether the Department manages the CBA interest list fairly.

The $4,400 average prescription drug cost for a CBA client is significantly higher than the $2,800 average prescription drug costs for a Medicaid client in a nursing facility. The Department does not manage the drug benefit and has not analyzed available information to identify reasons for this difference. The Department should research why CBA clients have higher average prescription drug costs than Medicaid clients in nursing facilities.

Key Points

The Department lacks adequate program oversight to ensure the appropriateness of CBA services and payments.

The Department does not adequately monitor its regional offices' administration of the CBA program to ensure the appropriateness of CBA services and payments. As a result, there are significant differences in the number of personal attendant care hours that clients with similar needs receive in different regions of the state.

In addition, contracted CBA service providers have overstated clients' needs. By overstating client needs, providers can plan, deliver, and receive payment for more than the appropriate level of service. Overstatement of clients' needs could be widespread in the CBA program because the Department does not review providers' assessments of client needs in all regions. Because providers also determine clients' functional eligibility for the CBA program, the inconsistency of the Department's reviews leaves it unable to ensure that only eligible clients are receiving CBA services.

The Department also does not adequately safeguard CBA program information maintained in its automated Service Authorization System. It does not always remove terminated employees' access to that system, and users can bypass that

system's automated edit checks. Bypassing the edit checks has led to overpayments for services that the Department subsequently had to recoup.

The Department does not monitor potential conflicts of interest between its staff and CBA clients. Auditors identified CBA case managers who were living with a CBA client or had recently lived with a CBA client. None of these case managers had disclosed the potential conflict of interest as required by Department procedures. Auditors did not find evidence that case managers in the sample selected had worked on the cases of the clients who lived with them.

The Department's monitoring does not adequately hold contracted CBA providers accountable.

The Department's monitoring of contracted providers of CBA services does not adequately hold contracted providers accountable. Specifically:

- The Department's monitoring visits to CBA providers are conducted at predictable intervals and cover only a brief period of time.
- The Department lacks controls to reasonably ensure that the planned amounts of personal attendant care services are actually delivered.
- The Department does not ensure that providers perform required criminal background checks on attendants.
- Auditors identified problems in specification documentation and bidding for minor home modification services that the Department and its regional offices did not detect.

The Department does not appropriately record and consider CBA client satisfaction data that could be used to monitor the quality and consistency of CBA services.

The Department has not ensured fair treatment of individuals waiting for CBA services because it has not secured the automated CBA interest list.

The Department has not set up basic automated controls in the Community Services Interest List system, which it uses to manage the list of individuals who are waiting for CBA services. For example:

- The system does not track changes to date fields that affect when a prospective client can begin to receive CBA services. There is no way to determine whether dates in this system have been changed to shorten the wait time of some individuals on the list (and, as a result, lengthen the wait time of others). Because of this, auditors could not determine whether the Department's management of the CBA interest list ensures that all prospective clients are treated fairly.
- The Department does not limit system access to appropriate employees.

Summary of Management's Response

The Department agrees with the recommendations in this report.

Summary of Information Technology Review

The information technology component of this audit focused on the Department's Service Authorization System, which stores information on CBA clients and authorized services, and the Community Services Interest List system, which the Department uses to manage the list of individuals who have expressed interest in CBA services. As discussed above, the Department should address significant access weaknesses in both of these systems and correct other significant weaknesses that limit the reliability of system information.

Summary of Objectives, Scope, and Methodology

The audit objectives were to determine:

- Whether the Department has controls in place in its CBA waiver program to provide reasonable assurance that expenditures are made and services are delivered in accordance with program criteria.
- Whether the Department appropriately monitors and audits CBA contractors.
- Whether the Department is awarding openings in the CBA program to individuals who are functionally eligible.
- Whether the Department is managing the CBA interest list in accordance with program criteria and as intended by the Legislature.

The audit scope included all payments made for CBA services in fiscal year 2005. Auditors also reviewed CBA service authorizations from fiscal year 1996 through fiscal year 2005. We audited contract monitoring and case management files from fiscal years 2004 and 2005.

The audit methodology included conducting interviews with Department staff, reviewing Department procedures for CBA case management and contract monitoring, and reviewing providers' classification of CBA clients' needs. Auditors also analyzed information related to CBA clients, providers, and planned CBA services in the Department's Service Authorization System and other automated systems. The team conducted site visits at CBA service providers and at client homes in three of the regions with the largest CBA client populations.

Recent SAO Work		
Number	**Product Name**	**Release Date**
05-033	An Audit Report on Administration of Nursing Facility Contracts at the Department of Aging and Disability Services and the Health and Human Services Commission	April 2005

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Detailed Results

Chapter 1

The Department Lacks Adequate Program Oversight to Ensure the Appropriateness of CBA Services and Payments

The Department of Aging and Disability Services (Department) does not adequately monitor its regional offices' administration of the Community Based Alternatives (CBA) program to ensure the appropriateness of CBA services and payments.[2] As a result:

- **There are significant differences in the number of personal attendant care hours that clients with similar needs receive in different regions of the state.** If these regional differences were reduced, the Department could save between $12.1 million and $41.1 million in state and federal funds annually, which would be enough to provide services to between 800 and 2,750 more clients. CBA program expenditures totaled $450 million in fiscal year 2005.

- **CBA service providers overstated the needs of 53 percent of clients in a judgmental sample auditors tested.** By overstating client needs, providers can plan, deliver, and receive payment for more than the appropriate level of service. Overstatement of clients' needs could be widespread in the CBA program because the Department does not review providers' assessments of client needs in all regions. Ensuring that clients' needs are assessed correctly is important because this is the basis for determining eligibility for CBA services and planning the scope and amount of services clients will receive.

The Department also does not adequately safeguard CBA program information maintained in its automated Service Authorization System. It does not always remove terminated employees' access to that system, and users can bypass that system's automated edit checks. Bypassing the edit checks has led to overpayments for services that the Department subsequently had to recoup.

The Department does not monitor potential conflicts of interest between its staff and CBA clients. Auditors identified CBA case managers who were living with a CBA client or had recently lived with a CBA client. Prior to this audit, none of these case managers had disclosed the potential conflict of interest as required by the Department's procedures. Case managers control significant program resources and, consequently, have an obligation to avoid

[2] There are 11 health and human services regions in the state. Currently, nine Department regional offices oversee those regions.

conflicts of interest. Auditors did not find evidence that case managers in the sample selected had worked on the cases of the clients who lived with them.

Chapter 1-A

Lack of Departmental Oversight Has Resulted in Significant Differences in the Number of Personal Attendant Care Hours Provided Across Regions

Deciding How Much Personal Attendant Care Services a Client Needs

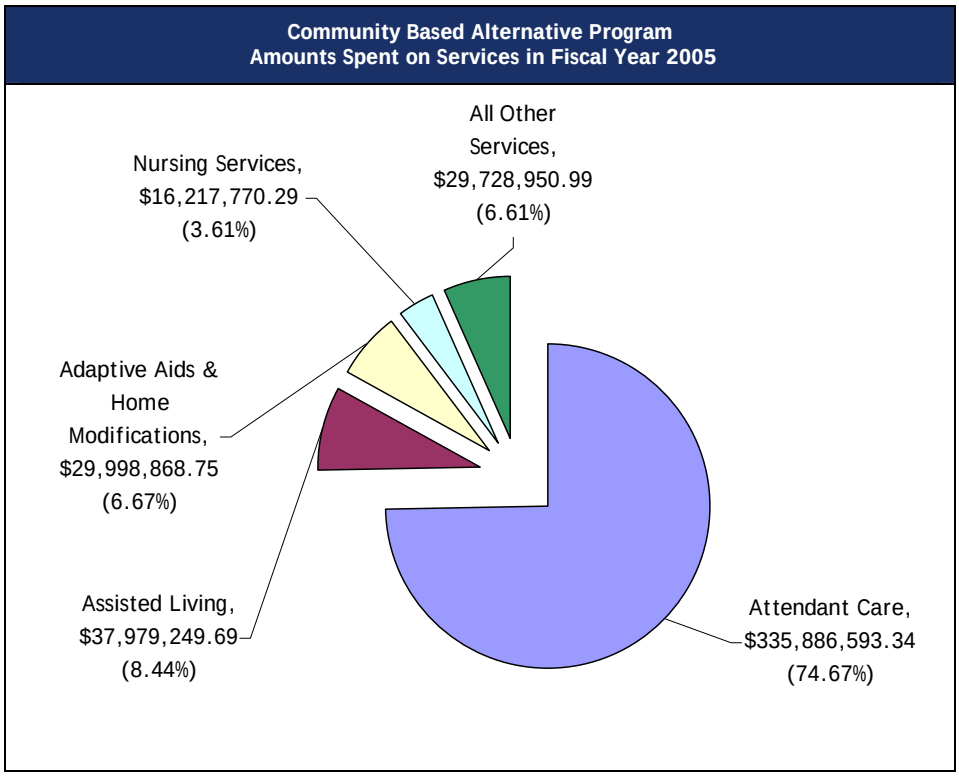
During initial or annual service planning, providers, clients, and case managers mutually agree on the number of hours of personal attendant care the client needs each week.

The number of hours of personal attendant care a client can receive is limited only by the cost ceiling, which is determined by the cost of serving a client with generally the same needs in a nursing facility environment.

The Department has delegated decision-making for the CBA program to staff in its regional offices, but it has not sufficiently monitored the regional offices to ensure consistency across the regions. As a result, there are significant differences in the number of personal attendant care hours that clients with similar needs receive in different regions. (See Appendix 2 for a map showing the location of each region and a description of the area each region serves.)

Personal attendant care is the most common service in the CBA program and represented 75 percent of the approximately $450 million in total CBA program expenditures in fiscal year 2005 (see Figure 1). Because personal attendant care accounts for most CBA program expenditures, differences across regions can have significant budget implications.

Figure 1

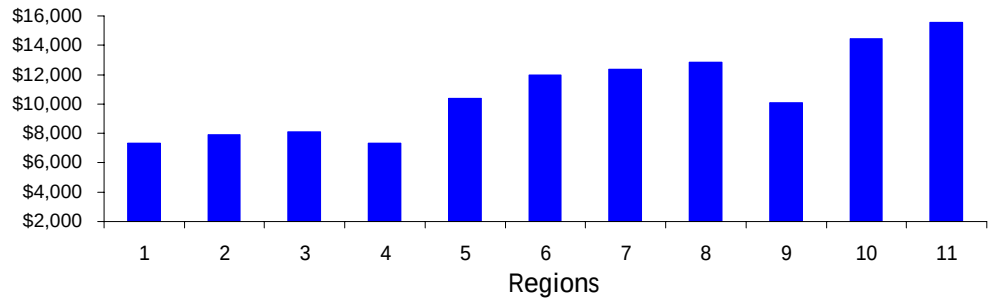


Source: Department of Aging and Disability Services Data Mart

Figure 2 shows the fiscal year 2005 personal attendant care expenditures per client in each region. Region 11 (Lower South Texas) had the highest personal attendant care expenditures, with an average of more than $15,500 per client. This corresponds to more than 29 hours of personal attendant care each week for the average client. In contrast, Region 1 (High Plains) and Region 4 (Upper East Texas) provided about $7,300, or between 13 and 14 hours each week, of personal attendant care service for the average client.

Figure 2

Community Based Alternative Program
Personal Attendant Care Costs Per Client by Region
Fiscal Year 2005



Region Descriptions (also see Appendix 2 for a map of region locations):

Region 1: High Plains	Region 7: Central Texas
Region 2: Northwest Texas	Region 8: Upper South
Region 3: Metroplex	Region 9: West Texas
Region 4: Upper East Texas	Region 10: Upper Rio Grande
Region 5: Southeast Texas	Region 11: Lower South Texas
Region 6: Gulf Coast	

Source: Department of Aging and Disability Services Data Mart

Regional differences in personal attendant care hours are not caused by differences in clients' needs. Auditors analyzed CBA clients in different regions with similar needs to determine whether they received approximately the same number of personal attendant care hours in fiscal year 2005. All clients in this analysis were similar because they had been classified in stable clinical condition and as having the least need for help with daily activities. Although these clients' needs were similar, they received significantly different numbers of personal attendant care hours depending upon the region where they lived. For example:

- Region 11 (Lower South Texas) Region paid about $11,800 in fiscal year 2005 for the average client who was in stable clinical condition and

who had the least need for help with daily activities.[3] In contrast, Region 1 (High Plains) paid about $6,000 in fiscal year 2005 for the average client who was in stable clinical condition and who had the least need for help with daily activities. This means that the average client in Region 11 received almost twice the number of hours of personal attendant care that a similar client in Region 1 received.

- Region 11 (Lower South Texas) paid 48 percent more on personal attendant care per client than the average of the 10 other regions.

More clients could be served if the Department addressed regional differences. There are a variety of ways to estimate the additional number of clients that could be served if regional differences were reduced. For example:

- **Conservative estimate for a single region.** If Region 11 (Lower South Texas) had provided personal attendant care services for the least needy clients at a level consistent with the average for other regions, the State could have saved about $12.1 million dollars in fiscal year 2005, or enough to serve more than 800 additional clients. This is the most conservative estimate of savings because it focuses on a single region for a single category of clients.

- **Less conservative estimate for multiple regions.** If the personal attendant care hours for all clinically stable clients[4] in the three regions with the most personal attendant care hours[5] were reduced to the average level of personal attendant care in the other eight regions, the State could have saved about $37.1 million dollars in fiscal year 2005, or enough to serve more than 2,500 additional clients. This estimate is less conservative than the estimate above because it focuses on multiple regions.

- **Least conservative estimate based on client satisfaction surveys.** If the six regions with the lowest client satisfaction ratings had delivered the same hours of personal attendant care services to clinically stable clients as the average hours provided to this population in the five regions with the highest client satisfaction ratings, the State could have saved about $41.1 million dollars in fiscal year 2005, or enough to serve more than 2,750 additional clients.[6]

[3] This is not an average annual cost because it includes payments for clients who were not in the CBA program for the entire fiscal year.

[4] Clinically stable clients include those classified as Texas Index for Level of Effort (TILE) 205, 207, 209, or 211.

[5] The three regions with the most personal attendant care hours are Region 7 (Central Texas), Region 10 (Upper Rio Grande), and Region 11 (Lower South Texas).

[6] Auditors identified problems in the client satisfaction data that the Department will need to address before relying on this data to make program-related decisions (see Chapter 2-D for additional details).

Authorizations for personal attendant care services have increased significantly since 1997. The number of authorized personal attendant care hours increased about 30 percent statewide between fiscal year 1997 and the beginning of fiscal year 2005. The regions with the highest personal attendant care expenditures per client in fiscal year 2005 are also among the regions that had the greatest increase over that time frame. The increase in personal attendant care hours is generally consistent across all levels of client need; therefore, the increase is not occurring because clients' needs are expanding. This trend underscores the Department's need to establish appropriate and consistent levels of personal attendant care services.

Recommendation

The Department should develop standards for the appropriate number of personal attendant care hours for clinically stable clients and monitor regional offices' compliance with those standards.

Management's Response

DADS agrees with the SAO recommendation.

DADS recognized the need to address the current variation in personal attendant care hours assigned. All direct delivery regional staff received training to improve their skills in estimating and assigning hours in FY 2004 and FY 2005. Additionally, DADS has begun analysis of the reasons for the variation, both through internal analysis and through a contract with Texas A&M School of Rural Public Health.

A workgroup consisting of regional community care workers will meet to discuss each region's approach to the assignment of personal attendant care hours. Additional procedures will be developed and training provided to ensure consistency in assignment of hours.

The A&M contract includes tasks related to assessment systems and personal attendant care hours. The first task in the contract, to be completed in early FY 2007, is to identify the variables that account for variation in hours - including consumer characteristics, organizational variables (worker, unit, region) and any other documented factors contributing to the current variation. This information will be used to identify, define and address systemic problems.

Development of standards for the appropriate number of hours, a complex problem as no standards currently exist and any classification system must take multiple variables into consideration, also will be addressed through the A&M contract. A classification system for assigning the appropriate number of hours must take more than the information available through the TILE or

an assessment of "clinical stability" into account. Factors including the need for assistance with meal preparation, need for protective supervision, and access to laundry equipment, while not relevant in an nursing facility and the assignment of a TILE, are important when determining the amount of support needed for an individual living in the community. A more comprehensive approach will reduce the variability in hours assigned in a more precise way than use of "clinical stability" alone.

In summary, DADS will use the results of its internal assessment and A&M's preliminary analysis to identify problems and an interim action plan during FY 2007. The plan may include additional staff training, targeted reviews, and requirements for additional documentation. Once the A&M analysis and development of standards and a classification system is complete, DADS will assess the implications of implementation and take appropriate action, including monitoring, to ensure reduced variability in the number of personal care attendant hours assigned to individuals with similar needs.

Target Implementation/Completion Date:

September 2006 for staff training and implementation of procedures based on internal workgroup products. August 2007 based on extensive research and analysis to be performed by A&M and DADS development of tools, training, and monitoring activities based on outcomes of the A&M assessment.

Responsible Management:

Interim Section Manager - Access and Intake - Regional and Local Services

Section Manager – Center for Policy and Innovation - Policy Analysis and Support

Chapter 1-B

The Department Does Not Effectively Review the Classification of Clients' Needs or Ensure that Only Functionally Eligible Individuals Receive CBA Program Services

Classification of CBA Client Needs

Contracted providers classify each CBA client's needs at 1 of 11 Texas Index for Level of Effort (TILE) levels. For example:

- Clients classified in TILE 211 are clinically stable and have the least need for assistance. In fiscal year 2005, the annual cost ceiling for TILE 211 was $26,353.
- Clients classified in TILE 201 require the most care. In fiscal year 2005, the annual cost ceiling for TILE 201 was $55,422.

See Appendix 3 for details on the 11 TILE levels and associated cost ceilings.

The Department's process for reviewing the contracted providers' decisions regarding clients' need for CBA services and clients' functional eligibility is not sufficient to prevent the State paying for unnecessary services.

Sixteen (53 percent) of 30 client case files auditors judgmentally selected did not have sufficient clinical support for the clients' level of need as assessed by the provider. For those 16 case files, 27 (96 percent) of the 28 errors identified resulted in overstatement of client needs. By overstating client needs, the contracted provider can plan, deliver, and receive payment for more than the appropriate level of service.

It is important that client needs are properly classified, because this is the basis for determining the types and amounts of services the client requires to remain in the least restrictive environment and avoid institutional care. Providers have an incentive to overstate client needs because this allows them to receive payments for services that are not necessary and do not contribute to keeping clients out of institutional care.

CBA Program 1915(C) Waiver Requirements

The CBA Program is authorized under section 1915(C) of the U.S. Social Security Act. The cost of caring for CBA clients cannot exceed the cost of caring for them in a nursing facility.

Source: Title XIX Medicaid 1915(c) Home and Community-Based Services Waiver

The accuracy of the client classifications is also important in allowing comparison of CBA costs with nursing facility costs. Because the CBA program is a federal Medicaid waiver program, the federal government requires the State to ensure that the costs of care for clients in the CBA program do not exceed the costs of caring for the same clients in nursing facilities. To make a fair comparison of costs, the State must ensure that client needs in the CBA program are appropriately classified by contracted providers.[7]

The Department's Existing Review Process Is Not Effective

The "utilization review" process the Department uses to review providers' classification of clients' needs is not effective. Specifically:

[7] SAO Report No. 05-033 (*An Audit Report on Administration of Nursing Facility Contracts at the Department of Aging and Disability Services and the Health and Human Services Commission*) discusses the utilization review process for Medicaid nursing facilities. The Health and Human Services Commission's Office of Inspector General is responsible for conducting utilization reviews at Medicaid nursing facilities.

- The utilization review process is not consistently carried out on a monthly basis as required by Department policy. Only two of the Department's regional offices performed the required number of reviews in fiscal year 2005.

- The Department does not use available information to identify providers that may be routinely overstating client needs and then focus the utilization review process on those providers. Instead, the Department's regional offices select small random samples of clients[8] (often primarily from a single level of need) and do not consider the risk that some providers are more likely to overstate client needs.

- The Department does not penalize providers for overstating client needs. When the Department identifies misclassified clients, it changes the clients' information in its automated systems but it does not determine whether the misclassification resulted in inappropriate payments to the provider, and it does not recoup prior payments that were made based on the misclassification.

Because Its Utilization Review Process Is Not Effective, the Department Cannot Ensure That Only Functionally Eligible Clients Receive CBA Services

In addition to having an incentive to overstate client needs to increase services, contracted providers also have an incentive to admit individuals who are not functionally eligible for the CBA program.[9] The Department's only review of providers' decisions regarding the functional eligibility of CBA clients is through its utilization review process. As discussed above, however, the utilization review process is not effective.

Additional information on functional eligibility determination is available through the contracted Medicaid claims administrator. The Department could use this information, along with level of need information, to identify contracted providers that are most likely to be admitting functionally ineligible individuals into the CBA program. The Department has not performed this analysis.

Recommendations

The Department should:

- Use available information to focus monitoring efforts on providers that are most likely to be routinely overstating CBA client needs.

[8] The samples are not statistically valid, and error rates cannot be projected to the population. Sample clients are sometimes chosen for convenience if a client is already scheduled to receive a visit for another purpose.

[9] Contracted providers determine an individual's functional eligibility through a pre-assessment process they perform before jointly planning services for that individual with the Department.

- Use available information to focus monitoring efforts on providers that are most likely to be admitting functionally ineligible individuals to the CBA program.

Management's Response

DADS agrees with the SAO recommendations.

Currently, DADS Regional Nurses are mandated to conduct monthly reviews of a sample of twenty Forms 3652-A, Client Assessment Review and Evaluation (CARE), completed by CBA Home and Community Support Services (HCSS) agencies to:

- *Verify the assessment information used to determine medical necessity (MN);*
- *Assure the accuracy of the Texas Index for Level of Effort (TILE) payment; levels used to establish the individual cost ceiling for the CBA service plan; and*
- *Identify training/corrective action needs for HCSS agency nurses.*

DADS recognizes the current Utilization Review process is inadequately and inconsistently utilized throughout the State. The current process will be enhanced to include:

- *Standardized sampling methodology and increased sample size.*
- *Review of the Individual Service Plan.*
- *Submission of a monthly report to State Office for monitoring and oversight.*

Automated processes for the Form 3652-A are expected to begin in the fall of 2006 that will allow additional oversight and monitoring. DADS will pursue development of automated system risk indicators to identify patterns and anomalies for further review.

Target Implementation/Completion Date: September 1, 2006

Responsible Management:

Section Manager - Access and Intake - Regional and Local Services

Chapter 1-C

The Department Has Not Adequately Secured CBA Program Information in Its Automated Service Authorization System

Service Authorization System

The Service Authorization System stores service authorization information for all clients enrolled in the Department's long-term care programs.

This system maintains information regarding authorizations to provide long-term care services to clients. Services must be authorized prior to payment.

Source: The Department's *Community Based Alternatives Case Manager Handbook*

The Department does not adequately safeguard CBA program information maintained in its automated Service Authorization System. It does not always ensure that it removes terminated employees' access to the Service Authorization System. In addition, users can bypass automated edit checks that ensure the accuracy and appropriateness of information regarding authorization for CBA client services. Bypassing the edit checks has led to overpayments for services that the Department subsequently had to recoup.

Terminated employees maintain access to confidential information. At the time of our audit, 271 terminated Department employees continued to have access[10] to the Service Authorization System after they left the Department. Four of these user accounts had extensive rights to create and edit data; the rest had limited rights, allowing primarily "read-only" access. One user account for an employee terminated in 2004 had the highest level of administrative access, giving this user the ability to reset any value or create new users. Additionally, 21 current Department employees retain high-level access to the Service Authorization System even though they have not logged into the system for more than a year.

Service Authorization System edit checks are inadequate and are sometimes bypassed. Department procedures require staff to enter information about authorized services into the Service Authorization System through an application that has edit checks to prevent entry of inaccurate information or the authorization of inappropriate levels of service.[11] However, nothing prevents Department staff from bypassing the application that contains the edit checks and entering information directly into the Service Authorization System. The Department estimates that 10 percent of data entered into the Service Authorization System has been entered through bypassing the edit checks.

Bypassing the edit checks has led to inappropriate payments. Auditors identified five payments for client pre-assessments[12] in fiscal year 2005 that the Department paid at more than 129 times the appropriate amount. This occurred because case managers bypassed edit checks and mistakenly entered the appropriate payment amount ($129) in the "number of units" field. As a

[10] Retaining access means that there were active user accounts for the system that could be used to view and/or change client information.

[11] The Department is in the process of replacing the application with the edit checks with the Texas Integrated Eligibility Redesign System (TIERS).

[12] Contracted providers perform pre-assessments on prospective CBA clients to determine whether clients are functionally eligible for CBA services and to provide a basis for initial service planning.

result, instead of paying about $129 for each of these pre-assessments, the Department paid more than $16,700 for each pre-assessment. The Department recouped all but one of these overpayments prior to this audit. One payment, however, was not reported by the contracted provider and, therefore, it was not recouped until auditors brought it to the Department's attention during this audit.

Inadequate or bypassed edit checks have also affected the accuracy of other data in the Service Authorization System. For example, critical information such as the client's diagnosis is stored in irregular formats (for example, with leading or trailing zeros) that would prevent some clients from being included in summary reports created from Service Authorization System information. Other corrupted information, such as birthdates that are thousands of years in the future, affects any analysis of client populations using Service Authorization System information.

Recommendations

The Department should:

- Ensure that it promptly removes Service Authorization System user accounts for terminated employees.
- Periodically review Service Authorization System user accounts and remove access for employees who no longer require that access to perform their duties.
- Ensure that all data entered into the Service Authorization System goes through all edit checks.
- Implement additional edit checks to ensure that data such as a client's level of need and birthdate are entered accurately.

Management's Response

DADS agrees with SAO recommendations.

DADS recognizes there are issues with employees' access to the SAS system, even though there are internal firewall protections for terminated employees and user passwords become inactive after 30 days of inactivity. DADS will re-enforce to management staff that they are to comply with existing security requirements to terminate an employee's access to SAS upon termination from DADS or from a position that no longer requires them to access SAS to perform their job duties. Every six months DADS Information Technology (IT) will send a user access report to State Office and Regional management for review and appropriate follow-up action.

DADS also recognizes issues with SAS edit checks. The Service Authorization System Online (SASO) is the front-end application currently used to enter data into SAS. The CBA SAS Wizard is designed to include all the necessary edit checks required for data entry into SAS. DADS State Office Long Term Services and Supports (LTSS) has mandated the use of the CBA SAS Wizard by all CBA case managers. DADS will issue additional directives to the LTSS regional field staff to re-enforce the use of the SAS CBA Wizard.

The Texas Integrated Eligibility Redesign System (TIERS) will become the front-end application for data entry for all CBA cases in the near future. Currently, LTSS regional field staff in certain Region 07 field offices in Travis and Hayes counties uses TIERS. Other LTSS staff uses TIERS statewide to process cases for LTSS clients who have transferred outside the Region 07 pilot areas. TIERS has more edit checks than currently exist in the SAS CBA Wizard.

DADS will assess the fiscal feasibility of implementing additional edit checks into SASO. The final decision regarding implementing the edit checks will be driven by the timeline for implementing TIERS statewide for LTSS staff.

Some data, such as an individual's date of birth, medical necessity, diagnoses, and Texas Index for Level of Effort (TILE), is entered into SAS through an interface with SAVERR and the Texas Medicaid and Healthcare Partnership (TMHP). DADS cannot reject or change a date of birth in SAS. Other information such as the medical necessity, diagnoses and TILE records can be corrected or updated. State Office LTSS staff will advise LTSS regional staff to review data in SASO which is entered through interfaces with other systems to determine if information is correct and to make changes as needed. DADS will rely on the implementation of TIERS to address these data integrity problems.

<u>Target Implementation/Completion Date</u>: July 2006 for directives to LTSS field staff and data integrity reviews. September 2006 for internal IT reporting. Additional edit checks will be impacted by the statewide implementation of TIERS.

<u>Responsible Management</u>:

Interim Section Manager - Access and Intake - Regional and Local Services

Chapter 1-D

The Department Does Not Monitor Potential Conflicts of Interest Between Its Staff and CBA Clients

Auditors identified several dozen CBA case managers whose addresses matched CBA client addresses in the Department's Service Authorization System.

Conflict of Interest Notification

Case managers are required to notify their supervisors when they have a conflict of interest that could result in an unethical or biased business relationship.

Source: The Department's *Community Based Alternatives Case Manager Handbook*

Auditors reviewed 10 of the address matches and determined that eight CBA case managers were living with a CBA client or had recently lived with a CBA client. Prior to this audit, none of the case managers had disclosed the potential conflict of interest as required by the Department's *Community Based Alternatives Case Manager Handbook* (see text box).

Auditors did not find evidence that these case managers had worked on the cases of the clients who lived with them. However, it is important for case managers' supervisors to be aware of the potential for conflicts of interest when assigning cases because case managers do not have to manage a case to influence decisions affecting it. Case managers control significant program resources and, consequently, have an obligation to avoid conflicts of interest.

Recommendation

The Department should enhance its policies for reporting and monitoring potential conflicts of interest between staff and CBA clients.

Management's Response

DADS agrees with the SAO recommendation.

DADS will review policy and procedures relating to conflicts of interest and will initiate changes as appropriate to improve the process and ensure the policy is implemented.

Target Implementation/Completion Date: July 2006

Responsible Management:

Interim Section Manager - Access and Intake - Regional and Local Services

Chapter 2

The Department's Monitoring Does Not Adequately Hold Contracted CBA Providers Accountable

The Department's monitoring of contracted providers of CBA services does not adequately hold contracted providers accountable. Specifically:

- The Department's monitoring visits to CBA providers are conducted at predictable intervals and cover only a brief period of time. The Department does not monitor all CBA services consistently across the state, and some regions refer few or no providers for sanctions.
- Auditors identified problems in specification documentation and bidding for minor home modification services that the Department and its regional offices did not detect.
- The Department lacks controls to reasonably ensure that personal attendant care is delivered in the planned amounts by individuals who have not been convicted of crimes that prohibit them from working with clients.[13] Not all providers have systems to verify that personal attendant care services were actually delivered, and the Department does not ensure that providers perform required criminal background checks on attendants.
- The Department does not appropriately record and consider CBA client satisfaction data that could be used to monitor the quality and consistency of CBA services.

Chapter 2-A

Contract Monitoring at CBA Providers Is Predictable and Limited

Contract managers in the Department's regional offices conduct two types of monitoring reviews at contracted CBA providers: program compliance monitoring reviews and fiscal monitoring reviews (see text box for additional detail). These reviews occur at regular and predictable intervals and always cover the same brief time period immediately preceding the time of the review. As a result, providers generally know when they will be reviewed and which time period will be tested. Therefore, providers can present optimal, rather than typical, pictures of their compliance with program requirements.

Two Types of CBA Provider Monitoring

Compliance Monitoring: Determines whether a provider is complying with the terms of its contract and program-specific standards.

Fiscal Monitoring: Determines whether the provider has the required documentation to support its reimbursements.

Source: The Department's *Contract Monitoring and Complaint Procedures Handbook*

Contract monitoring coverage is limited to a single month. The Department's contract managers conduct fiscal and compliance monitoring for a single month of a provider's CBA service

[13] Convictions that disqualify individuals from working with clients are listed in the Texas Health and Safety Code § 250.006.

delivery and claims. Contract managers test samples drawn from a month in the last quarter of the contract period. As a result, billing or compliance issues that occurred prior to this period will go undetected.

Contract managers may expand compliance testing if a provider's compliance rate is below 90 percent. In accordance with Department procedures, however, contract managers never expand fiscal monitoring beyond the transactions in the month selected for review. Therefore, when a contract manager identifies a problem in a provider's reimbursements, the contract manager does not determine the full extent of the problem. Additionally, contract managers do not project errors from the test sample to the total amount the Department paid the provider.

The average time between monitoring visits to the providers that provide the majority of CBA services[14] is close to two years, which is the term of a provider contract.[15] This means that approximately 20 months of contract activity is not subject to Department monitoring.

Certain types of services are not monitored consistently across the state. The Department has not developed standards for monitoring home delivered meals, adult foster care, and respite services. As a result, regional offices have developed different tools for monitoring providers of these services, and they do not consistently monitor all of these services (see Table 1). Therefore, the Department cannot ensure that providers are delivering these services consistently across the state.

[14] Contracted home and community support service agencies (HCSSA) provide most CBA services.

[15] Department procedures require provisional contracts to be monitored prior to the end of the eleventh month of the contract and non-provisional contracts to be monitored at least every 24 months.

Table 1

Summary of Services Monitored by Regions				
Region Number	Region Description	Does Regional Office Monitor Home Delivered Meal Services?	Does Regional Office Monitor Adult Foster Care Services?	Does Regional Office Monitor Respite Services?
Region 1	High Plains	Yes	Yes	No
Region 2	Northwest Texas	Yes	Yes	No
Region 3	Metroplex	Yes	Yes	No
Region 4	Upper East Texas	No	Yes	No
Region 5	Southeast Texas	Yes	Yes	Yes
Region 6	Gulf Coast	Yes	No	No
Region 7	Central Texas	Yes	No	No
Region 8	Upper South Texas	Yes	Yes	No
Region 9	West Texas	Yes	Yes	No
Region 10	Upper Rio Grande	Yes	Yes	No
Region 11	Lower South Texas	Yes	No	No

Source: Department's Regional and Local Services Division

Regional offices do not consistently refer providers for possible sanctions. The regional offices are inconsistent in referring providers for sanctions for failure to comply with the terms of the contract and program rules (see Table 2). For example, in fiscal year 2005:

Sanctions Action Review Committee

The Department's Sanctions Action Review Committee applies sanctions based upon findings presented by regional contract and program staff. The purpose of this committee is to ensure consistency in the application of polices, procedures, and sanctions.

- Sixty-five percent of referrals to the Department's Sanctions Action Review Committee came from just four of the eleven regions.
- Two of the largest regional offices – the regional offices that oversee Region 8, Upper South Texas, and Region 11, Lower South Texas -- made no referrals to the Department's Sanctions Action Review Committee.

Table 2

Number of Providers Referred by Regions to the Sanctions Action Review Committee					
Regional Office Number	Regional Office Description	Assisted Living/Residential Care Referrals	Home and Community Support Services Referrals	Total Referrals	Percent of All Referrals
Region 1	High Plains	1	1	2	6.7%
Region 2	Northwest Texas	3	0	3	10.0%
Region 3	Metroplex	5	3	8	26.7%
Region 4	Upper East Texas	2	1	3	10.0%
Region 5	Southeast Texas	4	0	4	13.3%
Region 6	Gulf Coast	0	1	1	3.3%
Region 7	Central Texas	2	1	3	10.0%
Region 8	Upper South Texas	0	0	0	0.0%
Region 9	West Texas	1	1	2	6.7%
Region 10	Upper Rio Grande	2	2	4	13.3%
Region 11	Lower South Texas	0	0	0	0.0%
	Totals	20	10	30	100.0%

Source: The Department's Sanction Action Review Committee

Recommendations

The Department should:

- Ensure that contract managers consistently expand CBA provider fiscal and compliance monitoring when they detect fiscal and compliance problems during monitoring reviews.
- Ensure that contract managers randomly select the months for which to conduct CBA provider fiscal and compliance monitoring.
- Develop and implement standard monitoring tools for all regional offices to use to monitor adult foster care, home delivered meals, and respite services.
- Review regional offices' monitoring activities to ensure that all regional offices accurately monitor providers and consistently refer providers to the Sanctions Action Review Committee.

Management's Response

DADS agrees the SAO recommendations.

Beginning in late FY 2005, DADS began a comprehensive review for the purpose of revising the contract monitoring processes. DADS will modify sample size, sample periods, develop and implement standardized tools for the CBA program, including Adult Foster Care, Home Delivered Meals, and Respite services.

Additionally, a contract quality assurance program has been developed, and is in its initial stages of implementation. This quality assurance program, when fully implemented, will review the activities of contract managers and their supervisors for compliance with policy and procedures related to contract management, monitoring, complaint investigations, and referrals to Sanction Action Review Committee (SARC).

Target Implementation/Completion Date: November 2006 for development of tools. May 2007 for implementation of the monitoring tools and quality assurance function.

Responsible Management:

Chief Operating Office - Contract Oversight and Support

Manager – Provider Services - Community Services

Interim Section Manager – Access and Intake - Regional and Local Services

Chapter 2-B

The Department Does Not Verify That Personal Attendant Care Services Are Actually Delivered by Appropriate Individuals

The Department does not verify that personal attendant care services are consistently delivered by appropriate individuals.

Examples of Personal Attendant Care Services

- Assisting with personal maintenance, such as grooming, bathing, dressing, and routine care of hair and skin.
- Assisting with general household activities and chore services (for example, changing bed linens, housecleaning, laundering, shopping, storing purchased items, and washing dishes).
- Providing protective supervision as temporary relief for the primary caregiver.
- Providing extension of therapy services.
- Providing ambulation and exercise.
- Assisting with medications that are normally self-administered.
- Performing nursing tasks delegated by registered nurses.
- Escorting the client on trips to obtain medical diagnoses, treatment, or both.

Source: The Department's *Community Based Alternatives Case Manager Handbook*

Requirement for Criminal Background Checks

Except in emergency situations, providers are required to perform a criminal history background check before offering permanent employment to unlicensed employees who have direct contact with clients.

Source: The Department's *Community Based Alternatives Provider Manual*

Not All Providers Have Systems to Verify that Personal Attendant Care Services Were Delivered

Some providers have implemented a telephone-based system for personal attendant care. Attendants call from a client's home when they arrive and when they leave, and they are then paid based on the amount of time that has passed between the two calls.

This type of system offers better controls than traditional time sheets, but the Department has not required that all providers use this type of system, nor has it determined how many providers are using this type of system.

The Department Does Not Ensure That Providers Perform Required Criminal Background Checks on Attendants

The Department does not ensure that providers perform required criminal background checks on attendants who provide personal attendant care. Auditors tested a sample of 24 attendants in 3 regions to determine whether providers had performed criminal background checks for attendants. We found that:

- Providers had not performed criminal background checks for 4 of the 24 attendants before auditors requested to see the background checks.
- One of the 24 attendants had been arrested for crimes that could prohibit this individual from working with clients, but the disposition of these arrests (for example, whether the attendant had been convicted or acquitted) was not known at the time of the criminal background check. There was no evidence that the provider followed up to determine whether the attendant should have been prohibited from providing attendant care.

The Department conducts criminal background checks when it grants a provider's license. After the initial 18-month licensure period, the Department performs licensure surveys of home and community support

services providers (the main type of CBA provider) every three years. [16] Relying on the licensure background check alone is not sufficient because (1) the licensing process does not occur frequently enough and (2) the sample of employees for whom criminal background checks is performed during the licensing process is not extensive enough.

Recommendations

The Department should:

- Require all providers to implement procedures to verify that personal attendant care services are actually delivered in the appropriate planned amounts.
- Include procedures in contract monitoring to review providers' verification of the delivery of personal attendant care services.
- Include procedures in contract monitoring to verify that providers are conducting background checks for personal care attendants and appropriately prohibiting individuals with disqualifying convictions from working with clients.

Management's Response

DADS agrees with the SAO recommendations.

DADS will implement a requirement that providers have written procedures to ensure compliance with existing rules and requirements. DADS will enhance monitoring of service breaks and whether the authorized/scheduled services were received.

Regulatory Services and Contracts will strengthen the processes to verify providers are conducting background checks for personal care attendants to prohibit individuals with qualifying convictions from working with clients.

Target Implementation/Completion Date: November 2006 for development of monitoring tools. May 2007 for full implementation.

Responsible Management:

Section Manager – Provider Services - Community Services

Director – Chief Operating Office - Contract Oversight and Support

[16] The sample of employees is 10 percent of those that may have contact with clients. The provider may serve clients in other state and federal programs, as well as private pay clients. The sample of employees applies to all clients, not just those in the CBA program.

Interim Section Manager - Access and Intake - Regional and Local Services

Director – Regulatory Services - Survey Operations

Chapter 2-C

The Department's Monitoring Does Not Identify Problems in Specification Documentation and Bidding for Minor Home Modification Services

Auditors' review of 46 home modifications made with CBA funds in Region 7 (Central Texas), Region 8 (Upper South Texas), and Region 11 (Lower South Texas) identified problems related to specification documentation and bidding that the Department and its regional offices did not detect.

Purpose of Minor Home Modifications

Minor home modifications are improvements to a client's home or an adult foster care home to enable clients to reside in the community and to facilitate mobility, function, accessibility, and safety.

Minor home modifications are limited to the most cost-effective modifications that meet the client's needs.

In fiscal year 2005, the Department spent $14.3 million on minor home modifications.

Source: The Department's *Community Based Alternatives Case Manager Handbook*

Specification Documentation for Minor Home Modifications Is Not Always Sufficient

Providers are paid up to $200 to complete specifications for minor home modifications. Eighteen of the 43 sets of specifications auditors tested were either missing or consisted of informal notes or rough hand drawings. Providers usually bill the Department $200 for preparing specifications for minor home modifications that exceed $1,000, regardless of the actual cost of preparing the specifications. The Department spent approximately $575,000 in CBA program funds on specifications for home modifications in fiscal year 2005.

Providers Do Not Consistently Ensure There Is Sufficient Competition Among Bidders for Minor Home Modifications

The State is paying more than necessary for minor home modifications because providers do not always comply with bidding requirements. The bidding process is intended to ensure that the price paid for minor home modifications is competitive. Providers are required to consider each contractor's cost and record of quality services when selecting contractors. Auditors identified the following:

- Providers are required to obtain at least three bids for minor home modifications that exceed $1,000. Auditors tested bidding documentation for 46 minor home modifications in three regions. (These three regions made more than 60 percent of minor home modifications expenditures in fiscal year 2005). Eight of the 46 home modifications reviewed (17.4 percent) did not have the minimum number of bids. Additionally, the lowest bid was not accepted 7 times.

- When providers did obtain three bids, the bids were usually from a short list of preferred contractors.

- In Region 8 (Upper South Texas) two contractors prepared specifications for 7 (43.8 percent) of 16 minor home modifications tested. These two contractors were also the contractors for 11 (68.8 percent) of the 16 minor home modifications tested. For six of the home modifications, these two contractors were the lowest bidders, but these two contractors did not complete modifications within the required 90 days.

- One provider in Region 11 (Lower South Texas) received bids for minor home modifications only from relatives of the provider's owner. One relative was awarded all minor home modification contracts, and the provider was paid $150 per job to inspect the work the relative performed. Inspections should be objective assessments of the quality of the minor home modifications, how well the modifications adhere to the specifications, and how well the modifications meet clients' needs.

The Quality of Minor Home Modifications Is Not Consistent

Auditors visited 35 clients in Region 11 (Lower South Texas) who had received minor home modifications through the CBA program in fiscal year 2005. The quality of the minor home modifications these clients received was not consistent. For example:

- One contractor built an access ramp with support boards that were cut too short and left suspended a few inches above the ground. Another contractor widened exterior door frames and installed new doors but left large gaps under the doors.

- The CBA program normally pays for wheelchair ramps that are made of treated lumber, unless there is a justifiable reason to pay for a more expensive ramp. Auditors observed that some of the lumber used for access ramps in Region 11 (Lower South Texas) appeared to be surplus lumber that was not treated as required by the Department's *Community Based Alternatives Provider Manual*.

Recommendations

The Department should:

- Regularly review the specifications for selected minor home modifications to ensure that specifications are being properly developed.

- Regularly review the bids for selected minor home modifications to ensure that three bids are properly obtained and documented.

- Regularly inspect the construction of selected minor home modifications to ensure they are built according to specifications.
- Enforce rules to ensure that bids for minor home modifications are solicited from a sufficient number of different bidders in the local area.

Management's Response

DADS generally agrees with the SAO recommendations.

DADS will strengthen monitoring to ensure the current rules are being enforced. DADS will add rules regarding the appropriateness of specifications, and policy regarding the specification fees. The new monitoring process will determine if appropriate persons developed the specifications and if the specifications are sufficient to meet the program requirements. The new monitoring process will review the provider agency's bid process. This will include reviewing the number of bids obtained, the selection process, and required documentation. DADS will add monitoring standards to the program and/or fiscal compliance monitoring process to address specifications and bids for minor home modifications. DADS will explore different options for minor home modification inspections to ensure that construction meets required specifications.

Target Implementation/Completion Date: November 2006 for development of tools for enhanced monitoring of current rules. May 2007 for implementation of new tools. August 2007 for rule revisions and additional changes to monitoring activities.

Responsible Management:

Manager – Provider Services - Community Services

Director - Chief Operating Office - Contract Oversight and Support

Interim Section Manager – Access and Intake - Regional and Local Services

Chapter 2-D

The Department Does Not Appropriately Record and Consider CBA Client Satisfaction Data

Client Monitoring

The case manager or other designated Department staff evaluates the appropriateness and adequacy of client services at least every six months through contact with the client. Two contacts are required each year.

If problems are identified during monitoring, the case manager is responsible for taking appropriate steps, including, but not limited to:

- Notifying the provider of the apparent need for a change in the service plan or reconvening the interdisciplinary team, if necessary, to address new needs of the participant or the change the individual service plan.
- Referring any suspected cases of abuse or neglect to Adult Protective Services.
- Referring potential provider fraud to the appropriate investigative units, such as the Office of the Attorney General or local law enforcement agencies.
- Soliciting the cooperation of the Department's contract manager to correct the problem.

Source: The Department's *Community Based Alternatives Case Manager Handbook*

The Department does not use CBA client satisfaction data to monitor regional, program, and provider performance. It also has not established adequate controls to protect the integrity of CBA client satisfaction data. Specifically:

- CBA client satisfaction data is normally collected by the Department's case managers twice each year during routine client contacts (see text box for additional details).[17] The case manager records client satisfaction for each type of service the client received and enters the client's responses into the Department's Service Authorization System. The Department has not implemented controls to minimize the subjectivity associated with case managers' collection of client satisfaction data.

- The Department's case managers often handle client complaints informally without recording any information regarding the nature and resolution of complaints.

These weaknesses have significantly diminished the integrity of the client satisfaction data. If that data were more reliable, the Department could use it to monitor providers and help determine appropriate levels of personal attendant care.

Client Satisfaction Data Is Not Always Accurate

In reviewing minor home modification services (see Chapter 2-C), auditors surveyed 33 clients to determine their level of satisfaction with the contracted providers' work in their homes. Six clients stated that they were not satisfied with the home modifications for a variety of reasons. However, the case managers recorded in the Department's Service Authorization System that these clients were satisfied with the services they received and did not indicate that any follow-up with the client was required.

Auditors also identified dozens of Department case managers who always recorded the same level of client satisfaction, regardless of the client, service type, or provider.[18] This indicates that the Department has not taken measures to minimize subjectivity in case manager interpretation of client satisfaction. The Department will need to address these issues before it can use client satisfaction data to better manage the CBA program.

[17] Most annual contacts are face-to-face meetings. Other contacts between annual meetings are generally not face-to-face.

[18] Case managers who always recorded the same level of satisfaction used one of three ratings: "outstanding," "very good," or "adequate."

Additionally, case managers rarely follow up with clients regarding client satisfaction surveys, even when the client expresses dissatisfaction. Client satisfaction data collected in fiscal years 2004 and 2005 indicate that case managers followed up on less than 1 in 1,000 client survey responses. When the client expressed dissatisfaction[19], case managers indicated a follow-up was necessary less than 1 percent of the time.

Recommendations

The Department should:

- Take steps to minimize case manager subjectivity in recording client satisfaction with CBA services.
- Use client satisfaction information to monitor contracted providers of CBA services.
- Use client satisfaction information as one factor to consider when setting appropriate levels for personal attendant care services to clinically stable clients.

Management's Response

DADS generally agrees with the SAO recommendations.

DADS uses Form 2314, Consumer Satisfaction Interview, to collect data regarding client satisfaction with the CBA program. DADS will reinforce current policy through formal directives to all community care field staff. Regional management will be held accountable for monitoring compliance. In addition, Regional case reading will monitor the accuracy of Form 2314 completion and determine if appropriate follow-up occurred in the event of a complaint.

DADS will incorporate use of consumer satisfaction data in the contract monitoring process.

Target Implementation/Completion Date: July 2006 for distribution of statewide directive. August 2006 for implementation of modified case reading procedures. November 2006 for development of contract monitoring tools. May 2007 for implementation of the monitoring tools.

Responsible Management:

Section Manager - Community Services

[19] Client satisfaction is measured on a 5-point scale. Auditors considered responses in the two lowest ratings ("Needs Improvement" and "Poor") to be expressions of dissatisfaction.

Director - Contract Oversight and Support

Interim Section Manager - Access and Intake - Regional and Local Services

Chapter 3

The Department Has Not Ensured Fair Treatment of Individuals Waiting for CBA Services Because It Has Not Secured the Automated CBA Interest List

The Department has not established basic automated controls in the Community Services Interest List (CSIL) system it uses to manage the list of individuals who have expressed interest in CBA services.[20] For example:

Interest List versus Waiting List

The CBA list is an interest list and not a traditional waiting list.

The Department has not yet determined whether the individuals on the CBA interest list are eligible for CBA services.

The Department determines a client's eligibility at the time the client is released from the interest list.

- The CSIL system does not track changes to critical information that affects the date a prospective client can begin to receive CBA services. There is no way to determine whether dates in this system have been changed to shorten the wait time of some individuals on the list (and, as a result, lengthen the wait time of others). Because of this, auditors could not determine whether the Department's management of the CBA interest list ensures that all prospective clients are treated fairly.

- The Department does not limit access to the CSIL system to appropriate employees. More than 200 individuals who no longer required access to the CSIL system had active user accounts at the time of this audit (more than 100 of these accounts were for terminated employees). Many of these users had access levels that would allow them to change critical information that affects the order of the individuals on the list.

It should be noted that changes at the federal level are expected to reduce the level of interest in CBA services for certain clients who are eligible for both Medicaid and Medicare. Effective in April 2006, individuals who qualify for both Medicaid and Medicare began receiving their prescriptions through the Medicare program.

[20] The Department uses CSIL to manage the interest lists for several other community care programs and not just the CBA program.

Chapter 3-A

The Department Has Not Sufficiently Safeguarded the Community Services Interest List System

The Department has not appropriately safeguarded key date information used to determine which interested individuals are next in line to receive CBA services. CSIL system users can change the "request date" in the system (which records the date on which individuals first express an interest in receiving CBA services) without leaving any trail to record when this information was changed and who changed it. The "request date" information is critical to the integrity of the interest list because prospective clients are selected from the interest list in chronological order based on that date.

Criteria for Restricting Access

Title 1, Part 10 Texas Administrative Code, Section 202.25 (c)(2) specifies that:

"A user's access authorization shall be appropriately modified or removed when the user's employment or job responsibilities within the state agency change."

Without strong automated controls, there is a risk that dates in the CSIL system could be manipulated to promote individuals inappropriately. For example, as discussed in Chapter 1-D, some Department employees live in homes where CBA clients live. Without audit trails and approval procedures, nothing prevents a Department employee who has access to CSIL from inappropriately changing a relative's "request date" to shorten the time the relative must wait for services.

Because the CSIL system does not have these basic automated controls, auditors cannot provide assurance about the fairness of the Department's management of the interest list.

Terminated employees retain active CSIL user accounts. More than 200 individuals who no longer required access to the CSIL system had active user accounts at the time of this audit. More than 100 of those individuals were terminated employees who still had access to the CSIL system, and dozens of those individuals retained high-level rights allowing them to change crucial information. At the time of our audit, Department staff and information security staff at the Health and Human Services Commission[21] could not agree on responsibility for removing access for terminated employees and employees whose duties had changed.

Recommendations

The Department should:

- Establish audit trails and approval requirements for changing key dates in the CSIL system.
- Periodically review active accounts in the CSIL system and ensure that only appropriate Department staff have access to CSIL.

[21] The Health and Human Services Commission manages security for most Department hardware and applications.

- Review access rights of active CSIL accounts and ensure that employees' access rights are appropriate to their responsibilities.

Management's Response

DADS agrees with the SAO recommendations.

DADS will record and retain the user ID of any person (s) who enter or change any request date, contact date or any "bypass code" in the CSIL system. In addition, DADS will establish new edits limiting the ability to change a date of request and require management approval to make a change.

DADS recognizes there are issues with employees' access rights in CSIL. DADS has already deleted access to all inappropriate individuals identified by the audit team. Additionally, DADS will review active accounts every quarter in CSIL and ensure only appropriate DADS' staff has access to CSIL. Access rights to CSIL will be reduced to read only if the system has not been accessed in three months and all rights terminated if the system has not been accessed in six months.

DADS will generate a quarterly report of users who have the ability to enter or change key dates in CSIL. Regional Directors will review staff accounts to ensure the employees' access rights are appropriate.

Target Implementation/Completion Date: October 2006

Responsible Management:

Business Relations, Manager - Information Technology

Section Manager - Access and Intake - Regional and Local Services

Chapter 3-B

Changes to the Prescription Drug Benefit for Clients Who Qualify for Both Medicaid and Medicare May Reduce the Number of Individuals on the CBA Interest List

According to the Department, there were approximately 61,000 individuals on the CBA interest list at the end of fiscal year 2005. According to information in the CSIL system, in fiscal year 2005, the average wait time for individuals on the CBA interest list was almost three years. [22]

[22] The data underlying this calculation of wait time is not adequately secured, as discussed in Chapter 3-A above, and may contain inaccurate information.

The Department attributes some of the interest in the CBA program to the prescription drug benefit available through the program. Most adults in the Medicaid program are limited to three prescriptions every month, but clients enrolled in the CBA program (as well as Medicaid clients in nursing facilities) receive unlimited prescriptions. However, the Department expects a decrease in the number of individuals interested in the CBA program because of recent changes at the federal level. When Medicare Part D became effective in 2006, Medicaid clients who were also eligible for Medicare began receiving their prescription benefits through Medicare.

According to the Department, approximately 85 percent of current CBA clients are eligible for both Medicaid and Medicare. If a similarly high percentage of individuals on the CBA interest list are eligible for Medicaid and Medicare, those individuals may decline services when it is their time to enter the CBA program, or they may ask to be removed from the interest list when case managers check their status by phone, because their prescription benefit is no longer provided through the CBA program (Medicaid). This would reduce the wait time for the individuals that remain on the CBA interest list.

Management's Response

DADS agrees with the SAO issue.

At the initial inquiry and the annual monitoring contact of an individual on the CBA Interest List, DADS will institute a procedure to inform him/her that CBA will no longer provide unlimited prescriptions for individuals who receive both Medicare and Medicaid.

Target Implementation/Completion Date: July 2006

Responsible Management:

Interim Section Manager - Access and Intake - Regional and Local Services

The Department Should Research Why CBA Clients Have Significantly Higher Prescription Drug Costs than Medicaid Clients in Nursing Facilities

In its fiscal year 2004 report [23] on the CBA program, the Department compared the cost of serving clients in the CBA program to the cost of serving Medicaid clients in nursing facilities. According to the Department's support for that report, prescription drug costs for clients in the CBA program averaged about $4,400 in fiscal year 2004, which was about 57 percent higher than the $2,800 prescription drug cost for the average Medicaid client in a nursing facility during the same time period.

The CBA client population generally needs fewer services than the Medicaid nursing facility client population because only clients who can benefit from a less restrictive environment are admitted to the CBA program. Therefore, the fact that CBA clients have higher average prescription drug costs is worthy of further research.

The Department does not administer the prescription benefit within the CBA program [24], nor does it consider the cost of drugs for CBA clients to be a program expense. Consequently, the Department has not performed any analysis of the prescription drug cost information to identify reasons for the significant difference in average prescription drug costs between CBA clients and Medicaid clients in nursing facilities.

As discussed in Chapter 3-B, Medicare Part D recently began covering the cost of prescription drugs for most CBA clients. While most CBA clients will be receiving their medications through Medicare instead of Medicaid, there will still be a cost to the State in delivering prescription drugs to these clients through the state contribution (or "clawback") provisions of Medicare Part D.[25] Approximately 15 percent of CBA clients, those who are eligible only for Medicaid, will continue to receive prescription benefits through Medicaid.

Recommendation

The Department should work with the Health and Human Services Commission to identify reasons for the significantly higher cost of prescription drugs for CBA clients.

[23] At the time of our audit, the fiscal year 2005 report was still in draft form.

[24] The Health and Human Services Commission Administers the drug benefit.

[25] The amount the State will pay the federal government is based on a percentage of what would have been the State's share of prescription drug costs if the clients had continued to receive prescription benefits through Medicaid.

Management's Response

DADS agrees with the SAO recommendation.

DADS will work with HHSC to examine drug costs for individuals receiving CBA services, who have only Medicaid coverage (no Medicare). If their drug costs are significantly higher than nursing facility residents' drug costs, the department will work with HHSC to identify reasons and, if appropriate, take remedial action.

Target Implementation/Completion Date: September 1, 2006

Responsible Management:

Section Manager – Community Services

Health and Human Services - Long Term Care Policy

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The audit objectives were to determine:

- Whether the Department of Aging and Disability Services (Department) has controls in place in its Community Based Alternatives (CBA) waiver program to provide reasonable assurance that expenditures are made and services are delivered in accordance with program criteria.
- Whether the Department appropriately monitors and audits CBA contractors.
- Whether the Department is awarding openings in the CBA program to individuals who are functionally eligible.
- Whether the Department is managing the CBA interest list in accordance with program criteria and as intended by the Legislature.

Scope

The audit scope included all payments made for CBA services in fiscal year 2005. Auditors also reviewed clients' planned CBA services and assigned level of need authorized in the Department's Service Authorization System from fiscal year 1996 through fiscal year 2005.

The audit scope also included contract monitoring and case management files from fiscal years 2004 and 2005, referrals to the Sanctions Action Review Committee in fiscal year 2005, and decisions the Department made in fiscal year 2005 that affected the CBA interest list.

Methodology

The audit methodology included collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with Department management and staff.

Information collected and reviewed included the following:

- The CBA boilerplate contract with service providers
- The CBA *Provider Manual*

- The CBA *Case Manager Handbook*
- The Department's *Contract Monitoring and Complaint Procedures Handbook*
- Information in the Department's Service Authorization System (SAS) related to client condition, planned services, and client satisfaction
- Community Services Interest List (CSIL) information pertaining to the Department's management of the list of individuals who have expressed interest in CBA services and are awaiting admission into the program
- Information on fiscal year 2005 prescriptions for CBA clients
- Fiscal year 2005 CBA payment information from the Department's Data Mart
- Information on the Department's CBA budgeting, provider services, intake, and community services functions
- The Department's procedures for contract monitoring, case management, and utilization review
- The Department's procedures for verifying that providers are conducting background checks of individuals who have contact with CBA clients
- The Department's procedures for ensuring that Department staff are free from conflicts of interest
- The Department's procedures for limiting access to automated systems to appropriate employees
- The Department's annual waiver reports to the federal government

Procedures and tests conducted included the following:

- Analyzed the Department's fiscal year 2005 payments for CBA services
- Analyzed trends in CBA service planning from fiscal year 1997 through fiscal year 2005
- Analyzed the characteristics of CBA clients who receive services from larger CBA providers
- Tested provider assertions about the level of clients' needs (in cooperation with the Health and Human Services Commission's Office of Inspector General)
- Tested Department compliance with its procedures for utilization review

- Reviewed active accounts in selected Department automated systems to determine whether the Department is limiting access to these systems to appropriate individuals
- Reviewed automated controls in the systems the Department uses to manage CBA cases
- Tested the Department's compliance with its policies for monitoring conflicts of interest between its staff and CBA clients
- Reviewed the Department's contract monitoring procedures
- Reviewed the activities of the Department's Sanctions Action Review Committee
- Reviewed the Department's monitoring of personal attendant care services
- Reviewed the background check process for personal care attendants
- Tested minor home modification documentation
- Inspected minor home modifications
- Analyzed client satisfaction information recorded in the Department's Service Authorization System
- Reviewed access controls and audit trails in the Department's Community Services Interest List (CSIL)

Criteria used included the following:

- Sections of the U.S. Social Security Act related to Medicaid and to 1915(c) waiver requirements
- Texas Administrative Code
  - Title 40, Part 1, Chapter 48 (Community Care For Aged and Disabled)
  - Title 1, Part 10, Chapter 202 (Information Security Standards)
- Texas Index of Level of Effort (TILE) system for classifying CBA clients according to their needs
- CBA *Provider Manual*
- CBA *Case Manager Handbook*
- The Department's Contract and Complaint Monitoring Procedures

- Texas Health and Safety Code

Project Information

Audit fieldwork was conducted from December 2005 through March 2006. This audit was conducted in accordance with generally accepted government auditing standards.

The following members of the State Auditor's staff performed the audit:

- Scott Boston, MPAff (Project Manager)
- Jeff Grymkoski, MA (Assistant Project Manager)
- Kels Farmer, CISA
- Marlen Kraemer, MBA, CISA
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- Serra Tamur, MPAff, CISA, CIA
- Dennis R. Bushnell, CPA (Quality Control Reviewer)
- John Young, MPAff (Audit Manager)

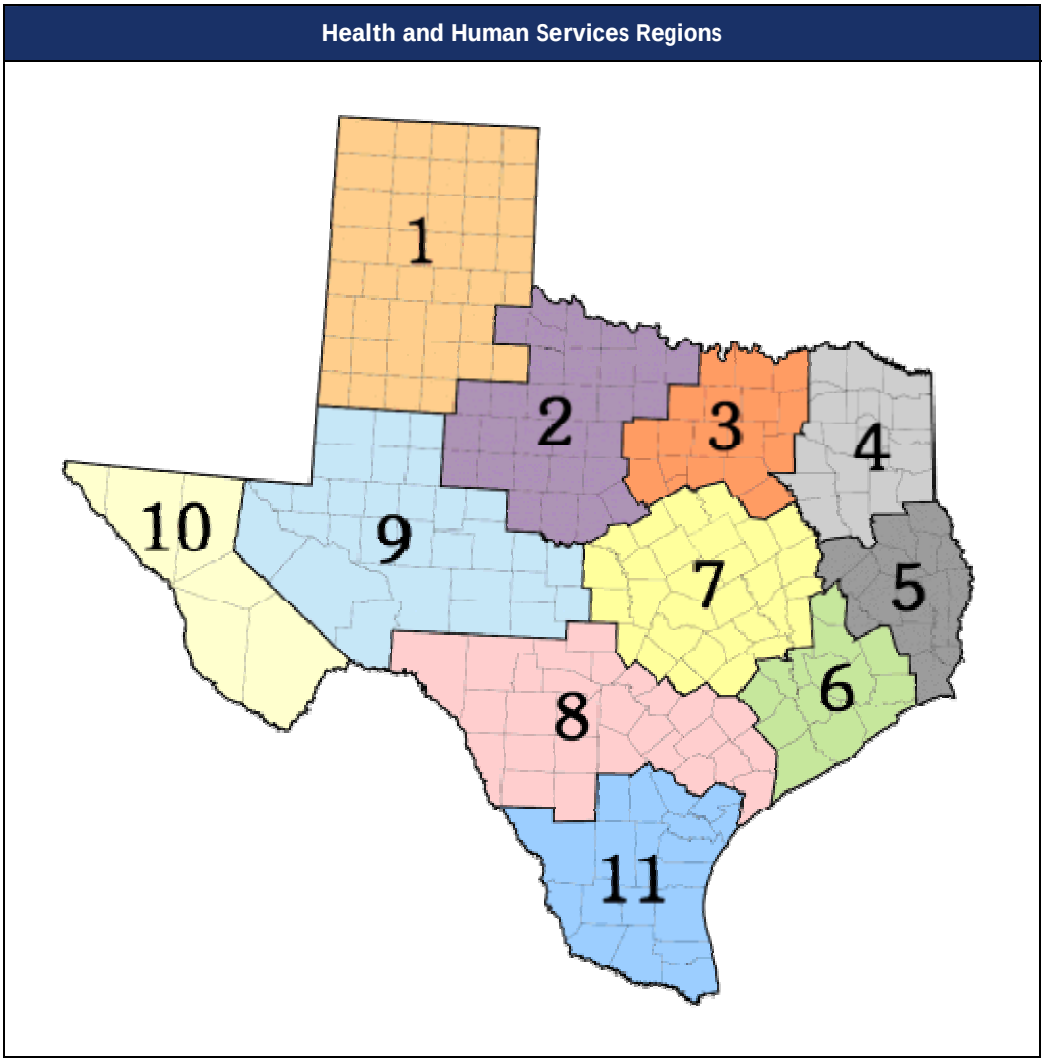
Appendix 2

Map of the Department's Service Regions

Figure 3 shows the location of the Department's 11 service regions.

Figure 3

Health and Human Services Regions



Source: Health and Human Services Commission

Table 3 describes the Department's 11 service regions.

Table 3

Description of Each Health and Human Services Region	
Region	**Counties Served**
Region 1: High Plains	Armstrong, Bailey, Briscoe, Carson, Castro, Childress, Cochran, Collingsworth, Crosby, Dallam, Deaf Smith, Dickens, Donley, Floyd, Garza, Gray, Hale, Hall, Hansford, Hartley, Hemphill, Hockley, Hutchinson, King, Lamb, Lipscomb, Lubbock, Lynn, Moore, Motley, Ochiltree, Oldham, Parmer, Potter, Randall, Roberts, Sherman, Swisher, Terry, Wheeler, Yoakum
Region 2: Northwest Texas	Archer, Baylor, Brown, Callahan, Clay, Coleman, Comanche, Cottle, Eastland, Fisher, Foard, Hardeman, Haskell, Jack, Jones, Kent, Knox, Mitchell, Montague, Nolan, Runnels, Scurry, Shackelford, Stonewall, Stephens, Taylor, Throckmorton, Wichita, Wilbarger, Young
Region 3: Metroplex	Collin, Cooke, Dallas, Dallas, Denton, Ellis, Erath, Fannin, Grayson, Hood, Hunt, Johnson, Kaufman, Navarro, Palo Pinto, Parker, Rockwall, Somervell, Tarrant, Wise
Region 4: Upper East Texas	Anderson, Bowie, Camp, Cass, Cherokee, Delta, Franklin, Gregg, Harrison, Henderson, Hopkins, Lamar, Marion, Morris, Panola, Rains, Red River, Rusk, Smith, Titus, Upshur, Van Zandt, Wood
Region 5: Southeast Texas	Angelina, Hardin, Houston, Jasper, Jefferson, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler
Region 6: Gulf Coast	Austin, Brazoria, Chambers, Colorado, Fort Bend, Galveston, Harris, Liberty, Matagorda, Montgomery, Walker, Waller, Wharton
Region 7: Central Texas	Bastrop, Bell, Blanco, Bosque, Brazos, Burleson, Burnet, Caldwell, Coryell, Falls, Fayette, Freest 1, Grimes, Hamilton, Hays, Hill, Lampasas, Lee, Leon, Limestone, Llano, Madison, McLennan, Milam, Mills, Robertson, San Saba, Travis, Washington, Williamson
Region 8: Upper South Texas	Atacosa, Bandera, Bexar, Calhoun, Comal, DeWitt, Dimmit, Edwards, Frio, Gillespie, Goliad, Gonzales, Guadalupe, Jackson, Karnes, Kendall, Kerr, Kinney, La Salle, Lavaca, Maverick, Medina, Real, Uvalde, Val Verde, Victoria, Wilson, Zavala
Region 9: West Texas	Andrews, Borden, Coke, Concho, Crane, Crockett, Dawson, Ector, Gaines, Glasscock, Howard, Irion, Kimble, Loving, Martin, Mason, McCulloch, Menard, Midland, Pecos, Reagan, Reeves, Schleicher, Sterling, Sutton, Terrell, Tom Green, Upton, Ward, Winkler
Region 10: Upper Rio Grande	Brewster, Culberson, El Paso, Hudspeth, Jeff Davis, Presidio
Region 11: Lower South Texas	Aransas, Bee, Brooks, Cameron, Duval, Hidalgo, Jim Hogg, Jim Wells, Kenedy, Kleberg, Live Oak, McMullen, Nueces, Refugio, San Patricio, Starr, Webb, Willacy, Zapata

Source: Health and Human Services Commission

Appendix 3

Texas Index for Level of Effort (TILE) Information

Table 4 describes the Texas Index for Level of Effort (TILE) levels, at which Community Based Alternative (CBA) program clients are classified, and the associated cost ceilings.

Table 4

Texas Index for Level of Effort (TILE) Annual CBA Cost Ceilings Fiscal Years 2004-2005			
TILE	**Client's Clinical Condition**	**Client's Assistance Needs**	**Annual Service Cost Ceiling**
201	Heavy Care	Very High	$55,422
202	Rehabilitation	All Levels	$49,658
203	Heavy Care	Moderate to High	$47,096
204	Clinically Complex	High	$39,712
205	Clinically Stable	High	$ 37,018
206	Clinically Complex	Moderate	$ 37,413
207	Clinically Stable	Moderate	$ 34,171
208	Clinically Complex	Low	$ 33,080
209	Clinically Stable	Low/Moderate	$ 30,996
210 [a]	Clinically Stable	Low	$ 27,266
211	Clinically Stable	Low	$ 26,353

[a] TILE 210 is reserved for clients who have mental challenges but are otherwise clinically stable and need only minimal assistance with daily activities.

Source: Health and Human Services Commission; Department of Aging and Disability Services' *Community Based Alternatives Case Manager Handbook*

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair
The Honorable Tom Craddick, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas "Tommy" Williams, Member, Texas Senate
The Honorable Jim Pitts, House Appropriations Committee
The Honorable Jim Keffer, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Health and Human Services Commission

Mr. Albert Hawkins, Executive Commissioner

Department of Aging and Disability Services

Ms. Adelaide Horn, Commissioner