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Data Problems Plague City's Effort to Claim Medicaid Reimbursement for Services to Students With Special Needs

Some of the special education services provided by the Department of Education (DOE) are covered by Medicaid if the student is eligible for Medicaid. In those cases, DOE is entitled to reimbursement from the federal government for Washington's share (in most cases 50 percent) of the standard Medicaid payment for covered services. Claiming for the reimbursement requires submitting documentation of the delivery of services, and certification that the services were administered by a licensed and approved provider. The preliminary budget continues the de Blasio Administration's recent practice of anticipating \$97 million of Medicaid reimbursement each year from 2016 through 2020, despite actual revenue of only \$27 million in 2015 (unless otherwise noted, years are fiscal years).

For more than three decades, the Department of Education has operated under a legal mandate to screen students for disabilities and provide appropriate services in a timely manner for those students who have been determined to require them. But since 2011 the city's ability to track, report on, and claim federal reimbursement for the delivery of special education services has been limited as the DOE struggled to build and roll out a new software system. Those struggles are still continuing—and compromising the education department's ability to ensure students are getting necessary services.

Lost Medicaid Reimbursement. In the early 1980s, the DOE developed a data system to track special education referrals and the specific services students were supposed to receive. This system was known as the Child Assistance Program (CAP) and was used until 2013. One limitation of CAP was the inability to track and document the actual delivery of services, a failure that became critical as the federal government began to require stronger documentation of the services delivered to students in order to claim reimbursement. However, scrutiny of the

program dates at least as far back as 2001, when the federal government began to review state and city practices in documenting speech and physical therapy sessions and related transportation claims. A federal audit was not settled until 2009 and the problems it uncovered were so severe that the city received no Medicaid reimbursement for services to students with special needs in 2009. By way of comparison, the city had been receiving around \$100 million a year in Medicaid reimbursements through 2005.

The audit's findings prompted the federal government to order the state to return roughly \$450 million in Medicaid reimbursements plus additional payments that had been made for associated transportation services. While the state was responsible for most of the cost, the city also had to forfeit \$100 million in revenue. (Under Medicaid, the federal government deals with the states rather than localities, which in most states outside New York have no fiscal responsibility for Medicaid costs.) The audit settlement also required the state to create a new Medicaid claim filing system. During 2009, the federal reimbursement process for New York was temporarily stopped and during that period no claims were paid. As a result, the city did not receive any Medicaid revenue at all during the 2008-2009 school year.

Ultimately, new billing and claiming guidance was established by the state. To qualify for reimbursement, services such as speech or physical therapy have to be medically necessary, documented in the student's Individual Education Plan (IEP), and ordered by an appropriate physician. Services also have to be delivered by a qualified provider or under the direction or supervision of a qualified provider. Each time services are provided, the encounter must be documented with the type of service, the location where the service was provided, a description of the student's progress, and the provider's credentials and signatures.



Faced with a need for much more robust documentation of service provision and a need to improve the planning and delivery of special education services more generally, the DOE began to develop a new computer system known as the Special Education Student Information System (SE SIS) in 2009. SE SIS, which was activated in 2011, is a web-based system that was expected to enhance the evaluation, placement, and case management of students with disabilities, and enable the DOE to prepare reimbursement claims that met the federal and state governments' documentation requirements. At the end of the 2012-2013 school year, the DOE shifted from the legacy CAP system and began to rely entirely on SE SIS.

SE SIS and the Budget. The DOE has invested over \$130 million in developing SE SIS and while SE SIS was expected to offer important improvements in the delivery of special education services, there was a strong budgetary motivation as well. When the DOE is unable to successfully claim Medicaid reimbursements, the forgone revenue must be made up with other resources from the city's budget. In recent years the city has needed to fund roughly \$50 million or more each year to make up for the lost Medicaid dollars. To date, however, the investment in SE SIS has not brought the DOE a return to the reimbursement levels experienced before 2005.

The chart below compares projected and actual Medicaid revenue from 2005 through 2015, and the current budgeted amounts for 2016 and 2017. In 2005, actual revenue met expectations at more than \$102 million. In 2006, although the adopted budget assumed that revenue would remain at the 2005 level, actual revenue

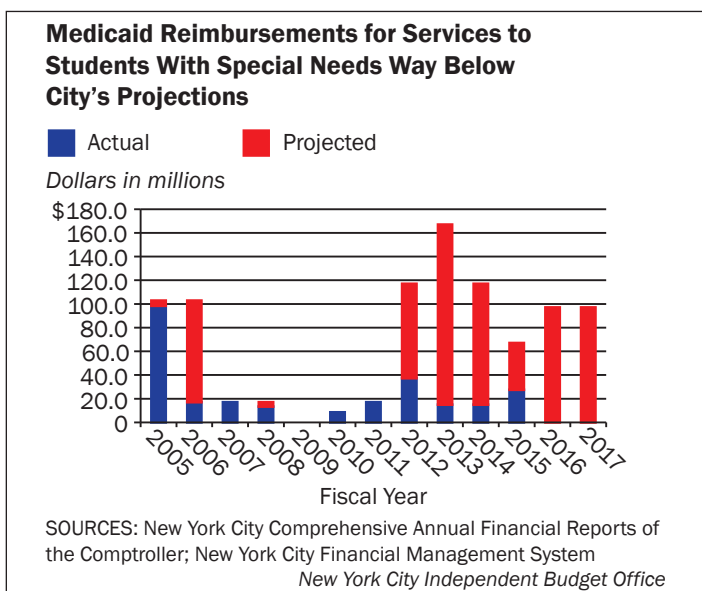
declined steeply to only \$17 million as the DOE and state government, with the federal audit underway, limited their claims to those that fully complied with the federal rules. For the next five years the city sharply reduced its expectations of Medicaid revenues, with a low point in 2009 when no claims for revenue were submitted and no federal reimbursements were projected.

Banking on the promise of the new data system, in 2012 the city began projecting Medicaid reimbursement levels on a par with and then exceeding the levels seen prior to 2005. Unfortunately, in 2012 through 2015, actual reimbursements have fallen short of the city's initial projections by a total of \$373 million, as technical obstacles and other implementation problems have stymied efforts to claim more than a small fraction of potential Medicaid reimbursements for services provided to eligible students. Many claims could not meet federal requirements with the documentation provided by SE SIS.

The city is again projecting higher levels of Medicaid revenue, \$97 million year, in 2016 and 2017. Expectations have been buoyed by implementation of a new "EZ trac" system to collect Medicaid data from nonpublic schools. To date, however, no Medicaid revenue has been realized for this fiscal year. IBO's re-estimate of Medicaid revenue assumes that the DOE will experience shortfalls of \$70 million in both 2016 and 2017, with revenue remaining at the roughly \$27 million level actually received in 2015.

SE SIS continues to have ongoing technical difficulties that prevent the DOE from producing accurate student-level data—data the department is legally required to provide to IBO, other offices and elected officials. Last month, in response to recent legislation enacted by the City Council, the DOE did produce summarized statistics on the characteristics of students with special needs and the services, if any, that they were receiving. Although the DOE warned that given problems with the underlying data the reported figures might not be accurate, they showed that over 30 percent of students with IEPs were not receiving all of the services they were supposed to be getting and another 5 percent were not receiving any of the services required under their IEPs.

Investments in SE SIS. The DOE invested \$63 million in capital funds for SE SIS development from 2009 through 2012. In addition to this capital spending, much of the development cost has been funded through the expense budget. The table (on page 3) shows actual SE SIS-related expenditures by DOE's central office. Together, support



Expense Budget Spending on the Special Education Information System, 2011-2015

Dollars in millions

	2011	2012	2013	2014	2015	5-Year Totals
SEGIS Support	\$3.0	\$1.8	\$18.3	\$8.9	\$8.9	\$40.9
SEGIS-MAXIMUS Contract	3.4	3.4		10.1		16.9
SEGIS Arbitration Payments			10.4	0.17	0.3	10.8
SEGIS Consultants					0.3	0.3
Total	\$6.4	\$5.2	\$28.7	\$19.1	\$9.2	\$68.9

SOURCE: Department of Education Central Budget Data

NOTE: Numbers may not add due to rounding.

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expenditures and a contract with Maximus Inc. totaled roughly \$69 million from 2011 through 2015. Maximus Inc. was hired to develop and implement SESIS to facilitate

information flow for the administrative requirements for delivery of special education services to students. Maximus also has data center locations that are responsible for storage of student data in remote sites outside the city.

Other costs associated with SESIS stemmed from how cumbersome the system was to use, at least initially, and early technical glitches that resulted in lost data that needed to be re-entered. After a complaint brought by the teacher's union, an arbitrator ruled in favor of union members who sought compensation because the new system was so slow and log-jammed that additional time before or after hours and on weekends was needed to log service encounter data. The payments ordered by the arbitrator cost an additional \$10.5 million through 2015.

In addition to the funds described in the table on the left, another \$2.3 million will be spent in 2016 through 2019 to fund DOE staff managing SESIS support in-house.

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