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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

January 4, 2008

The Honorable Robert Blendu, Chair
Joint Legislative Audit Committee

The Honorable John Nelson, Vice Chair
Joint Legislative Audit Committee

Dear Senator Blendu and Representative Nelson:

Our Office has recently completed a 24-month followup of the Department of Economic Security—Division of Developmental Disabilities, regarding the implementation status of the 14 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2005 (Auditor General Report No. 05-07). As the attached grid indicates:

- 10 have been implemented, and
- 4 are in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Department's efforts to implement the recommendations from the September 2005 performance audit report.

Sincerely,

Melanie M. Chesney, Director
Performance Audit Division

MMC:Sjb
Attachment

cc: Tracy Wareing, Director
Department of Economic Security

**DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
24-Month Follow-Up Report To
Auditor General Report No. 05-07**

FINDING 1: Division developed appropriate model for setting provider rates

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The Division should continue its efforts to establish benchmark rates for therapy and employment-related services.	Implementation in Process	The Division published rates for employment-related services in November 2005 and completed a study to develop benchmark rates for therapy services in 2006. It proposed to implement new rates for therapy services based on the study in January 2008, but received an unfavorable review from the Joint Legislative Budget Committee (JLBC) in its November 20, 2007, meeting. The Division is evaluating its next steps based on the responses of providers and their ability to adjust their work models.

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FINDING 2: Division can improve availability of therapy services

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. To ensure its waiting list accurately measures service needs, the Division should:		
a. Regularly audit the list for accuracy; and	Implemented at 12 Months	
b. Take appropriate steps to ensure support coordinators add and remove individuals from the list in a timely manner.	Implemented at 12 Months	
2. To address outdated rates paid to therapists, the Division should:		
a. Include in its study of therapy rates the costs of providing services, including administrative costs associated with complying with third-party liability and other requirements;	Implemented at 18 Months	

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FINDING 2: Division can improve availability of therapy services (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
b. Adopt appropriate rates based on its study; and	Implementation in Process	<p>The Division completed a study of therapy rates in 2006 and planned to adopt the new rates in January 2008, but received an unfavorable JLBC review in November 2007. Prior to the JLBC review, in an effort to help ensure uninterrupted service, the Division began asking therapy service providers to indicate whether or not they will continue to provide services when the new rates are implemented. For providers who say no, the Division is asking them to agree to provide services under the old rates for 3 months while the Division finds another provider for affected consumers. The new rates' tiered system, which pays higher rates for services to consumers in more remote locations but does not pay for travel, may reduce payments to some therapists who received payment for their travel under the old system. Based on the response from providers to these inquiries, the Division is evaluating next steps and timing. It is continuing to do so while evaluating next steps after the JLBC review.</p>

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FINDING 2: Division can improve availability of therapy services (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
c. If necessary, identify funding to pay increased rates.	Implementation in Process	Prior to the implementation of any state-wide provider rate change not specifically authorized by the Legislature, the Department is required to submit a report to the JLBC that outlines the estimated cost and ongoing funding source. The Division identified funding to implement the new rates and submitted a report to the JLBC. However, in its November 20, 2007, meeting, the JLBC gave an unfavorable review to the new therapy rates. The Division is evaluating its next steps based on the responses of providers and their ability to adjust their work models.
3. To help alleviate problems related to administrative requirements, the Division should:		
a. Assess provider interest in a training program related to complying with administrative requirements, such as third-party liability;	Implemented at 6 Months	
b. Based on the results of that assessment, determine whether to develop and provide a training program for providers;	Implemented at 6 Months	

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FINDING 2: Division can improve availability of therapy services (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
c. Consider publishing a document for providers with information on division requirements, systems, and processes, and where they can obtain additional information. This might include administrative information such as billing requirements, third-party liability issues, and service-related issues such as the availability of community centers or other venues outside the home where services might be provided.	Implemented at 6 Months	
4. To reduce confusion and the possible dissemination of misinformation, the Division should examine its practices for responding to provider questions, and consider providing additional training and guidance to staff regarding common provider issues such as third-party billing, or designating specific, knowledgeable staff members to respond to providers' questions.	Implemented at 6 Months	

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FINDING 2: Division can improve availability of therapy services (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
5. To help alleviate service scheduling problems, the Division should complete system improvements to the qualified vendor system that would allow individuals with disabilities, their families, and support coordinators to more readily access for providers available providers and to indicate through the Internet the days and times when they provide services.	Implementation in Process	The Division reported that it is moving forward with posting a search engine on its Web site for consumers, families, and support coordinators. According to the Division, search results will show information including therapists' hours of operation and age groups served in the selected geographic area. The Division anticipates that the project will be completed in early 2008.

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FINDING 3: Division should improve billing practices

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. To better ensure it identifies in a timely manner individuals who must pay for all or part of the cost of their services, the Division should:		
a. Develop a process for first matching records of individuals receiving services that could be subject to billing – specifically, residential, institutional, and skilled nursing facility – with records maintained by the Department’s Office of Accounts Receivable and Collections (OARC) to identify unbilled individuals, and then researching individual cases to determine whether they should be billed.	Implemented at 6 Months	
b. Develop a process to systematically obtain information regarding Social Security benefits for its individuals receiving services. To do this, the Division should consider working with the Division of Benefits and Medical Eligibility as well as OARC to standardize its process with other department processes for obtaining benefits information from the Social Security Administration.	Implemented at 6 Months	

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FINDING 3: Division should improve billing practices (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
2. To better ensure its billing amounts are accurate, the Division should correct its procedures for determining the total amount due in the fee-for-service category to capture services provided in a previous month but reported later by providers.	Implemented at 12 Months	