



Office of the State Auditor

Improving Student Performance



**A High-Level Review of the Internal Controls and Procedures Related
to the Disbursement of Medicaid Reimbursement Funds at
the Vermont Department of Education and
the Windham Northeast Supervisory Union**

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Executive Summary

Most people probably do not realize that their local school is a designated Medicaid provider. In addition to offering educational programs to young Vermonters, the school can also provide health services to Medicaid-eligible special education students and be reimbursed from the federal government through the Medicaid program.

Vermont schools first began tapping federal Medicaid funds in a serious way in 1995. That year Vermont received just \$108,099 in reimbursements. The Legislature recognized the program's potential to better serve children and improve student performance and urged the Department of Education and the Agency of Human Services to develop training and management programs to educate local school leaders about the program and how to organize and manage it on the local level.

The result has been a dramatic increase in funding (*see Figure 1*). In fiscal year 2001, which ended June 30, 2001, Vermont schools filed Medicaid claims of more than \$33 million which returned \$20.1 million in reimbursements to Vermont. (Medicaid returns approximately 63 percent of accepted claims.) Of the \$20.1 million received in fiscal year 2001, \$9.6 million was sent to supervisory unions for distribution to the local school districts. The money is targeted to "prevention and intervention" activities that improve student performance. An additional \$8.1 million went into the State Education Fund, and \$2.3 million was deposited into an administrative fund used by the Department of Education and the Agency of Human Services for administration and other statewide programs. (State law outlines how reimbursement funds are shared.)

Figure 1
Medicaid Reimbursements - A Brief History

	Federal Medicaid Reimbursement Funds <u>Received</u>	Amount Sent to Local School <u>Districts</u>
1995	\$108,099	\$70,269
1996	\$698,099	\$456,822
1997	\$1,948,655	\$1,250,188
1998	\$3,117,334	\$2,052,244
1999	\$7,947,436	\$3,304,436
2000	\$17,614,827	\$7,735,930
2001	\$20,147,377	\$9,659,060

This Special Review was initiated by a request from the Town of Rockingham to assess Windham Northeast Supervisory Union's (WNESU) compliance with Vermont statutes. The review was broadened to include an assessment of the Department of Education's oversight of Medicaid reimbursed funds that are used to provide prevention and intervention services in grades pre-K through 12. We wanted to know if the funds were being used and tracked properly, and if student performance had improved based on the prevention and intervention programs instituted with the money.

We found:

- Medicaid funds are distributed by the Department of Education to supervisory unions without documentation of how expenditures for prevention and intervention-related activities will address goals of local action plans to improve student performance;
- The Department of Education does not determine whether supervisory unions adhere to the statutory requirements related to Medicaid reimbursements, including: the distribution of funds to member school districts; and, the use of funds for local Medicaid billing administration costs;
- Annual reports to the Department of Education did not fully meet the reporting requirements of 16 V.S.A. §2959a(e), and the Department accepted these reports as adequate; and,
- WNESU had not distributed Medicaid funds to member towns as required by Statute and committed billing errors.

We recommend:

- The Department of Education should strengthen its reporting requirements to better track the distribution of funds;
- The Department should ensure that supervisory unions and school districts indicate how programs funded by Medicaid conform to new or continuing action plan goals;
- The Department should encourage supervisory unions to have their prevention and intervention related programs undergo a results-oriented budget process; and,
- The Department, WNESU and field representatives should strengthen their claims monitoring process and implement necessary policies and procedures to reduce errors and improve monitoring activities.

I am happy to report that both the Windham Northeast Supervisory Union and the Department of Education have expressed their agreement with the findings and will work to implement change.

To address long-term issues, school districts and the Department of Education could perform meaningful program evaluations with more complete assessments of their local action plans. Submitting these plans at the beginning of the year, rather than at the end of the year as is the current practice, would allow local and Department officials to evaluate a program's effectiveness and perhaps revise the program goals for the following year.

Using "best practices" and optimum timelines enables local school districts and the Department of Education to easily identify effective programs which should be nurtured as well as ineffective efforts that need to be revised or abandoned.

Performance-based budgeting can strengthen the way programs gauge their success. Rather than just account for how much is spent by a program in a given year, this approach emphasizes the impact a program has on the lives of people it is designed to serve.

If performance-based budgeting were applied to the spending of Medicaid funds, greater accountability could occur at both the supervisory union and Department level. At the same time, parents, teachers and residents could better understand how these state and federal dollars are used to improve student performance.

Sincerely,



Elizabeth M. Ready
Vermont State Auditor

Linking Spending With Results

In today's world, leaders in the private sector and government know that it's not enough to report to shareholders or taxpayers how much money was taken in and how much was spent in a given year.

Vermonters of all ages cherish the children of their communities and have been generous in their efforts to provide quality education for all.

Still they want to know: What am I getting for my money? Is student performance improving?

Performance and accountability are no more important than in the area of education. Vermont spends more than \$900 million a year on K-12 public education for approximately 102,000 students. Parents want schools that challenge their children to achieve academic and social goals; taxpayers want schools that pay attention to budgets and the results they bring.

The Department of Education has worked hard in recent years to develop clear educational goals. New standards such as the principles in Vermont's Framework of Standards and Learning Opportunities, and new assessment tools including the New Standard Reference Exams are a result of those efforts.

The Legislature and the Department have encouraged annual local school-based planning that brings parents, educators and citizens together to create local goals and "action plans" which help target educational spending. These steps should be boosted by a greater focus on linking education spending to improved performance and better results.

Our Office is working across state agencies to govern for results. For more information about performance-based budgeting, check out our website at www.state.vt.us/sao.

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