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**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**

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Janet Napolitano  
Governor

David A. Berns  
Director

Debra K. Davenport, CPA  
Auditor General  
Office of Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The purpose of this letter is to forward the Arizona Department of Economic Security's written response to the preliminary draft report of the performance audit of the Division of Developmental Disabilities.

Thank you for the opportunity to review the preliminary draft report. We appreciate the cooperation of your staff throughout the audit process.

If you have any questions regarding this response, please contact me at (602) 542-5678 or Ric Zaharia, Assistant Director for the Division of Developmental Disabilities, at (602) 542-6857.

Sincerely,

David A. Berns

Enclosures

**DEPARTMENT OF ECONOMIC SECURITY  
PERFORMANCE AUDIT OF THE DIVISION OF DEVELOPMENTAL DISABILITIES  
RESPONSE TO AUDITOR GENERAL RECOMMENDATIONS  
AUGUST 30, 2005**

**Finding 1: Division developed appropriate model for setting provider rates**

*The Department concurs with this finding.*

**Auditor General Recommendation:**

- 1. The Division should continue its efforts to establish benchmark rates for therapy and employment-related services.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**DES Response:**

*Employment-related rates should be published by December 2005. Interim and new therapy rates should be published by June 2006.*

**Finding 2: Division can improve availability of therapy services**

*The Department concurs with this finding.*

**Auditor General Recommendation:**

- 1. To ensure its waiting list accurately measures service needs, the Division should:
  - a. Regularly audit the list for accuracy; and**
  - b. Take appropriate steps to ensure support coordinators add and remove individuals from the list in a timely manner.****

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**DES Response:**

*The Division of Developmental Disabilities will monitor the waiting list as follows:*

- 1. The Division will establish a quarterly audit of the waiting list through a representative sampling methodology. District quality control plans will be included in these audits.*

2. *New support coordinators will be trained in the function of the waiting list during their first months on the job (CORE training). Existing support coordinators and their supervisors will receive an updated training session on the waiting list policy, the database and expectations regarding keeping the waiting list current.*
  3. *The Division's new web-based, HIPAA compliant automation system (FOCUS) will, when introduced this fall, provide Support Coordinators a more user-friendly, Windows based environment to enter waiting list data.*
- 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 division third-party liability and other requirements;**
  - b. **Adopt appropriate rates based on its study; and**
  - c. **If necessary, identify funding to pay increased rates.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**DES Response:**

*A zero based rate model has been under development since spring 2005 with attention to productivity assumptions, mileage, equipment, and administrative overhead (including third party liability). Interim rates will be published by October 1, 2005 to bring rates closer to market rates. The final proposed rates to accommodate the Early Intervention re-design will be published in January 2006. Funding issues are part of the rate setting, which determines how much of benchmark rates can be funded. Consequently, additional increases in appropriation may be necessary to fund competitive market rates for therapists.*

- 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;**
  - b. **Based on the results of that assessment, determine whether to develop and provide a training program for providers;**
  - 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.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**DES Response:**

*The Department has already determined that providers are interested in and can benefit from third party liability training. Trainings have been held and more are being planned around the state to discuss third party liability, billing, and other issues for therapists. During the trainings, therapists will be reminded of its availability. A published document, available on the Internet as well as hardcopy, is being reviewed and will be updated. This document explains the systems, processes, eligibility etc.*

**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.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**DES Response:**

*The Division of Developmental Disabilities will realign resources to establish a Third Party Liability Coordinator position in the Program Development section to support therapy recruitment and retention by facilitating third party liability collections.*

**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 available providers and providers to indicate through the Internet the days and times when they provide services.**

*The finding of the Auditor General is agreed to and the audit recommendations will be implemented.*

**DES Response:**

*The Division continues to update and complete system improvements to the qualified vendor system. System improvements will increase consumer and provider access to services by moving towards a consumer friendly directory, including provider availability.*

**Finding 3: Division should improve billing practices**

*The Department concurs with this finding.*

**Auditor General Recommendation:**

**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.**
- 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.**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**DES Response:**

*To ensure that the Division bills all eligible individuals, a report will be generated on a monthly schedule. Lists will be matched with the names of individuals being billed by OARC. Those not being billed will be flagged and appropriate residential billing procedures undertaken. When appropriate a referral will be made to AHCCCS to determine the share of cost amount to be billed, which will be forwarded to OARC to initiate billing procedures. The Division will pursue process improvements with the Department and the Division of Benefits and Medical Eligibility to ensure the Division bills all other eligible individuals.*

**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**

*The finding of the Auditor General is agreed to and the audit recommendation will be implemented.*

**DES Response:**

*The current billing program developed by the Division almost 10 years ago on an older Paradox program will only bill services that have been a) delivered, b) billed by the service provider, + and c) paid for within two months of delivery of service. Any services that are billed or paid more than two months after the month of service are not included on any billing. The Division is planning on transferring the current Cost of Care billing system from the Paradox program to a more efficient Windows program. The advantages for this conversion are that it will be able to determine late payments and incorporate them into billing adjustments.*