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State Auditor Finds Questionable Billing in Nebraska's $434 Million Aged and Disabled Waiver Program

Nebraska State Auditor Mike Foley says that his office's recent examination of the State's Aged and Disabled (AD) Waiver program has uncovered ongoing weaknesses in controls used to prevent improper billing by service providers. Those problems are detailed in a 34-page report released today.

The AD Waiver program, administered by the Nebraska Department of Health and Human Services (DHHS) Division of Disability and Aging, provides in-home services to elderly and disabled Nebraskans and is funded by a mix of Federal and State tax dollars.

The program has grown dramatically – from approximately $64 million a decade ago to $434 million today, a nearly sevenfold increase. In the past two years alone, the cost of the program has climbed by almost 65 percent. More than 8,600 individuals are now assisted by some 2,000 service providers. It is all but inevitable, moreover, that Nebraska's aging population will lead to further demands on program resources.

According to Foley, the extraordinary growth of the program makes effective oversight ever more crucial.

"A major challenge in controlling surging costs is eradicating fraudulent billing by unscrupulous providers who exploit the program's current administrative weaknesses," Foley said.

The work performed by Foley's audit team identified multiple examples of highly questionable billing, including the following:

- **Providers billing for more than 24 hours of services in a single day.** A certain provider billed for an impossible 47 hours in only one day.

- **Providers receiving payment while working elsewhere.** Auditors identified **15 providers** who were paid for supposedly performing DHHS services, but they were actually working elsewhere at the time. For instance, one provider was found to have clocked in to the AD Waiver program from her other place of employment instead of the participant's home.

- **Providers circumventing the Electronic Visit Verification system.** DHHS uses an Electronic Visit Verification (EVV) system that requires providers to log in by smartphone when performing services. Though intended to help prevent excessive billing, the system's controls were easily bypassed by providers who split consecutive hours across two different days.

- **Providers increasing billable time beyond EVV-verified hours.** Auditors found that providers could adjust their billable time after the EVV system had verified the hours worked. One agency increased its billable time by **434.5 hours in a single month**. The same agency also billed for caregivers claiming to have worked more than 24 consecutive hours.

- **Providers billing for more hours than participants were authorized to receive.** In a test of 17 participants, providers billed for more than the number of service hours authorized. This included the provider mentioned previously, who billed for 47 hours in a single day.

Such findings demonstrate, according to Foley, DHHS's need for stronger controls to ensure that taxpayer dollars are spent only for services actually provided.

"I have never been shy about criticizing DHHS for program mismanagement. In this situation, though, I am encouraged to see that the agency is already implementing needed measures to catch dishonest providers. With nearly 2,000 providers to watch, this is no small task," Foley said. "Hopefully, those controls will prove sufficient to prevent further deceptive billing and the resulting theft of public funds."

Foley's audit team also raised concerns regarding questionable hourly rates paid to various providers.

To illustrate, one participant's guardians were permitted to negotiate wages for service providers, and DHHS agreed to pay rates substantially higher than those received by most independent providers. Although independent providers typically receive approximately $15 per hour, the four service providers at issue earned **$23.50, $28.45, $54.02, and $57.69 per hour**. The participant's brother and mother received the $23.50 and $28.45 rates, respectively.

Due to incurring additional costs, agencies are permitted to bill at higher rates than independent providers. Foley's audit team identified four agencies, however, that appear to have been structured purposely to obtain an enhanced reimbursement rate. Not only were the caregivers both the owners and the sole employees of their respective agencies, but also each agency served only one participant.

"The people receiving assistance through the AD Waiver program deserve our full support, and honest service providers are entitled to fair compensation," Foley observed. "At the same time, DHHS must be able to account for every dollar spent on this program. We cannot afford to continue paying for services that were never rendered or allowing unethical providers to line their pockets with ill-gotten taxpayer money."

A copy of the State Auditor's report is available at **auditors.nebraska.gov**.

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