

ATTACHMENT E  
STATE OF COLORADO

Bill Owens, Governor  
Dennis E. Ellis, Executive Director

Dedicated to protecting and improving the health and environment of the people of Colorado

4300 Cherry Creek Dr. S.      Laboratory Services Division  
Denver, Colorado 80246-1530      8100 Lowry Blvd.  
Phone (303) 692-2000      Denver, Colorado 80230-6928  
TDD Line (303) 691-7700      (303) 692-3090  
Located in Glendale, Colorado

<http://www.cdphe.state.co.us>



Colorado Department  
of Public Health  
and Environment

October 3, 2006

The Honorable Jack Taylor, Chairperson  
Legislative Audit Committee  
c/o Office of the State Auditor  
200 East 14<sup>th</sup> Avenue  
Denver, CO 80203-2211

Subject: Status of Implementation of the Recommendations Set Forth in the Performance Audit of the Colorado Department of Public Health and Environment's Nurse Home Visitor Program, Dated May 2006

Dear Senator Taylor:

In response to the Office of the State Auditor's letter dated September 7, 2006, attached is the Colorado Department of Public Health and Environment's status report of our implementation of the all the recommendations, including the specifically requested recommendations 2, 4(b), 5(a), and 6, as set forth in the performance audit of the Nurse Home Visitor Program, dated May 2006. The status report includes the auditor's recommendations with the department's responses and implementation dates as presented in the Audit Report, together with the current implementation status of the auditor's recommendations.

Should you have any comments, questions, and/or concerns regarding our responses, please contact Esperanza Ybarra, the Nurse Home Visitor Program Director, at 303-692-2943 or our Internal Auditor, Scott Toland, at 303-692-2105.

Sincerely,

Dennis E. Ellis  
Executive Director

Attachment

cc: Ned Calonge, M.D., M.P.H., Chief Medical Officer, CDPHE  
Jillian Jacobellis, Director, Prevention Services Division (PSD), CDPHE  
Karen Trieweiler, Center Director, Office of Maternal and Child Health, PSD, CDPHE  
Chuck Bayard, Director, Administration and Financial Services Division (AFSD), CDPHE  
Ann Hause, Director, Legal and Regulatory Affairs, CDPHE  
Cindy Duffy, Director, Policy, External Affairs and Planning, CDPHE  
Barbara Ritchen, Section Director, Child, Adolescent and School Health (CASH), PSD, CDPHE  
Esperanza Ybarra, Director, Nurse Home Visitor Program, CASH, PSD, CDPHE  
Lena Peschanskaia, Chief Fiscal Officer, PSD, CDPHE  
Scott Toland, Internal Auditor, AFSD, CDPHE

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of October 3, 2006**

**Auditor Recommendation No. 1**

The Colorado Department of Public Health and Environment should work with the State Board of Health, the National Center for Children, Families, and Communities, and its subcontractors, the Nurse-Family Partnership, Inc., and Invest in Kids, to address program costs through caseload standards and attrition rates. More specifically, the Department should:

- (a) Determine why local sites are not achieving and maintaining caseload standards and develop strategies to help increase participation.
- (b) Establish guidelines for reducing caseloads and funding when sites do not meet caseload standards.
- (c) Provide attrition analyses to the local sites and develop specific strategies to reduce the level of addressable attrition at each local site.

**Department of Public Health and Environment's Response to the Auditor**

- (a) Agree. Implementation Date: Ongoing. The Department agrees that the issues of client attrition, nurse attrition and active caseload levels require further attention. Dr. David Olds, the National Center for Children, Families and Communities, and the Nurse-Family Partnership National Office have been vigorously working in these areas to strengthen the Nurse-Family Partnership Program nationwide. The Department will continue to work with National Center for Children, Families and Communities, Nurse-Family Partnership National Office, and Invest in Kids, otherwise known as the Colorado Nurse-Family Partnership Coordination Team, related to issues of addressable attrition and active caseloads with local sites.
- (b) Agree. Implementation Date: July 2007. The Department will work with the Colorado Nurse-Family Partnership Coordination Team to develop a detailed plan for setting forth local funding recommendations to the State Board of Health commensurate with the history of active caseload numbers. Once developed, this plan will be formalized by placing it in the annual contract between the Department and the local funded sites.
- (c) Agree. Implementation Date: Ongoing; July 2006 for Year End Letter. Presently, Invest in Kids works closely with each site, through individual site consultations, regional supervisor meetings, and the annual training conference, to review local, state and national attrition data and to discuss strategies for contending with attrition that is amenable to intervention. Commencing July 2004, the sites received a year-end letter from the Colorado Nurse Family Partnership Coordination Team summarizing the sites' previous year's performance. Sites are required to respond to the year-end letter in their annual Progress Report to the Department. The Department will specifically request attrition data and active caseload numbers from the sites in the data section of the year-end letter. This process will direct the sites to intentionally focus on attrition and active caseload levels and to specify the strategies addressing these factors. This existing written communication loop will allow the Department to emphasize attrition and active caseload levels, and for the local sites to consistently give priority and attention to the issues. The Colorado Nurse Family Partnership Coordination Team, primarily through Invest in Kids, can enhance guidance, support, and direction to the local sites based on the discovery of attrition and active caseload trends.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of October 3, 2006**

**Implementation Status**

a) Ongoing.

A retention advisory group, including nurses from various grantee sites, has been created and is being led by Invest in Kids. The purpose of the group is to explore both nurse and client attrition/retention, especially as it relates to maintaining caseloads.

Recommendations from this group are being developed to better understand local issues on this subject and how to make improvements. Nurse and client retention is a concern for Nurse-Family Partnership sites across the nation. Dr. Olds, the developer of the Nurse-Family Partnership model, and the Nurse-Family Partnership National Service Office continue their examination of the causes and have placed focus on quality improvement in this area.

b) In progress.

The Nurse Home Visitor Program director has met twice with the Nurse-Family Partnership Coordination Team to discuss this matter. Initial ideas include more tightly defining the meaning of active caseload and requiring sites to address their caseload size and to provide their nurse and client retention plans with the annual grant application.

c) Ongoing and Implemented.

Invest in Kids, supplied with data from the Nurse-Family Partnership National Office and the National Center at the University, continues to address attrition and caseload size in their on-going consultation work with grantees. The FY05-06 year-end letters, scheduled for mailing in September, will address the issues of caseload size and attrition/retention plans. Grantees will be required to address these issues in the next continuation grant application. Additionally, the Nurse Home Visitor Program director has participated in each of the most recent nurse supervisor trainings to address all audit issues, including forthcoming changes to strengthen the program.

**Auditor Recommendation No. 2**

The Department of Public Health and Environment should work to control the administrative costs under the Nurse Home Visitor Program by developing a basis for its indirect cost caps to ensure that administrative costs are reasonable and necessary.

**Department of Public Health and Environment's Response to the Auditor**

Partially agree. Implementation Date: July 2007 and Ongoing. The Department acknowledges the auditors concern for administrative costs. Therefore, the Program will reanalyze the development of a common definition of, accounting for, and limitations on, local administrative costs. Indirect costs are a result of how an entity chooses to efficiently and effectively allocate its costs in accordance with its applicable Federal OMB Cost Principle Circular and may include both administrative and program costs. The basis for the current local indirect cost caps included, but was not limited to, the actual average local indirect cost rates, and was supported by the Department's extensive policy statement that considered various factors including those identified in this report and substantial stakeholder input. We will continue to analyze the basis for the indirect cost caps and whether the indirect cost caps are the proper method to effectively control the local sites' administrative costs.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of October 3, 2006**

**Implementation Status**

In progress.

On August 11, 2006, the Nurse Home Visitor Program director addressed the directors of administrative services (local health agency fiscal administrators) to update them on the audit. The group was informed that, commencing with FY06-07, grantees would be required to report on Nurse Home Visitor Program programmatic and administrative expenses. The group agreed to assist the Department in the development of this report, including accurately defining program and administrative costs. In October, the Nurse Home Visitor Program director will convene a team of Department fiscal and program experts to draft a reporting template and then send it to the grantee fiscal administrators for their feedback.

**Auditor Recommendation No. 3**

The Department of Public Health and Environment should improve its oversight of Nurse Home Visitor Program budget requests and cost information by:

- (a) Ensuring budget requests and contract budgets are complete and detail the total cost of the Program, include funding from all revenue sources, and describe proposed expenditures by both line item and funding source.
- (b) Documenting support for changes to expenditures approved in the contract budget.
- (c) Ensuring that both budget requests and contract budgets calculate correctly.

**Department of Public Health and Environment's Response to the Auditor**

Agree. Implementation Date: July 2006. While the Department feels confident that file documents and notes support the creation of appropriate contract budgets, it is agreed that files and contract budgets can be improved by instituting a more uniform manner of documenting the budgeting process. To this end, the Nurse-Family Partnership National Office changed their sample budget form found in the grant application to the one utilized by the Department. This allowed for costs to be stated consistently in the Fiscal Year 2006-07 grant application. Also, the Department, along with the Nurse-Family Partnership National Office, instituted a method of documenting budget revisions and comments, when applicable, that occurred during the Fiscal Year 2006-07 application review. For the first time, this documentation was provided to the Colorado State Board of Health at their April 2006 meeting when Fiscal Year 2006-07 funding approval was requested. Finally, the Department will require that the application budget, the contract budget, and any budget amendments follow the same format of listing total program costs, Nurse Home Visitor Program program costs, Medicaid revenue, and county/in-kind contributions. A comments/notes page will be added to each grantee fiscal file as a means for documenting changes to the budget.

**Implementation Status**

- (a) Implemented.

The application and contract budget form has been revised for greater accuracy, clarity and consistency. Commencing July 1, 2006, grantees are required to utilize the new form and must provide all financial information, including Nurse Home Visitor Program funds awarded, estimated Medicaid dollars, and other sources of funding.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of October 3, 2006**

(b) Implemented.

Budget revision request and justification forms have been developed and were ready for use beginning July 1, 2006. These will serve as file documentation of budget modifications.

(c) Implemented.

The Nurse Home Visitor Program fiscal officer worked one-on-one, and continues to do so, with grantees to ensure there is consistency between the grant application budget, the recommended budget, and the final contract budget. Final budget figures are double-checked by both parties for accuracy. As errors occur, corrected documentation will be placed in the file. On August 11, 2006, the Nurse Home Visitor Program director addressed the directors of administrative services (local health agency fiscal administrators) to update them on the audit, including the new forms and process related to this recommendation. The Nurse Home Visitor Program director has also covered this audit issue with the grantee nurse supervisors.

**Auditor Recommendation No. 4**

The Department of Public Health and Environment and the Department of Health Care Policy and Financing should periodically reexamine the methodology used to calculate Medicaid reimbursement rates for targeted case management services provided through the Nurse Home Visitor Program. This examination should consider the following:

- (a) Methodologies used to develop reimbursement rates for targeted case management services for other Medicaid-funded programs.
- (b) Eliminating site-specific rates and developing one statewide rate for targeted case management services across all sites.
- (c) Using funded caseload rather than actual caseload when calculating the reimbursement rates.
- (d) Including data on a site's total Nurse Home Visitor Program costs in setting targeted case management reimbursement rates.
- (e) Revising the Medicaid State Plan to include the rate-setting methodology and submitting the revision to the Federal Government for approval.

**Department of Public Health and Environment's Response to the Auditor**

- (a) Agree. Implementation date: January 2007. As the Department seeks to update the time study, it will consult with the Department of Health Care Policy and Financing and other Medicaid rate setting experts, if necessary, to determine if there are other methodologies better suited to set targeted case management reimbursement rates.
- (b) Agree. Implementation date: July 2007. The Department, which is not a Medicaid rate-setting expert, will consult with the Department of Health Care Policy and Financing and other expert consultants, if deemed necessary, to examine alternative targeted case management reimbursement rates. The cost of providing targeted case management services differs by site. It depends on caseload size and the local costs for providing the service, including staff salaries, mileage costs, and other programmatic expenses that are unique to

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of October 3, 2006**

each site. After exploring this issue, the Department will make a determination of whether the current site specific rate structure is the most appropriate. In other words, by no means does the Department agree to change or eliminate the site-specific rates, but only agrees to consider their elimination after the previously mentioned exploration.

- (c) Agree. Implementation date: January 2007. As the Department seeks to update the time study, it will consult with the Department of Health Care Policy and Financing and other Medicaid rate setting experts, if necessary, to determine the best use of funded caseload numbers versus actual caseload numbers when establishing reimbursement rates.
- (d) Agree. Implementation date: January 2007. As the Department seeks to update the time study, it will consult with the Department of Health Care Policy and Financing and other Medicaid rate setting experts, if necessary, to determine the best use of total program costs when establishing reimbursement rates.
- (e) Agree. Implementation date: January 2007. As with the first time study and rate-setting method, the Department agrees to follow the existing Medicaid State Plan approval process and to comply with established protocol for acquiring federal government approval, as deemed necessary.

**Implementation Status**

In progress.

On July 27, 2006, the Nurse Home Visitor Program director met with Department of Health Care Policy and Financing (HCPF) staff to discuss this recommendation. HCPF requested all previous information provided to the Department by Public Consulting Group, Inc., the agency that conducted the original time study that established the current Medicaid rates. HCPF has reviewed and provided comments on the initial time study and will continue to advise the Department on how to proceed with a revised time study, including a possible new methodology and reimbursement rate.

**Auditor Recommendation No. 5**

The Department of Public Health and Environment should ensure the maximization of Medicaid reimbursements at local sites by working with the National Center and its subcontractors, the Nurse-Family Partnership, Inc. and Invest in Kids, to:

- (a) Visit local sites and review a sample of client files to verify that bills have been submitted for Medicaid services provided.
- (b) Share the aggregate data provided by the Department of Health Care Policy and Financing with sites so that sites may review their billings and reimbursements for reasonableness.
- (c) Ensure that all Medicaid-eligible participants are identified and receive assistance with enrollment.
- (d) Work with the Department of Health Care Policy and Financing to provide additional training to local sites regarding Medicaid client enrollment and billing procedures.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of October 3, 2006**

**Department of Public Health and Environment's Response to the Auditor**

- (a) Disagree. The Department respectfully disagrees with this recommendation for three primary reasons. First, administrative monitoring, such as on-site Medicaid reviews, is not within the scope of work or the business mission of the National Center for Children, Families and Communities, the Nurse-Family Partnership National Office, or Invest in Kids. As a result, these organizations do not have the expertise to perform such functions. Second, the audit was conducted during the initial period of Medicaid reimbursement billing. Therefore it may not accurately reflect the true level of Medicaid reimbursements. Finally, the Department believes the substantial additional cost of conducting on-site reviews of Medicaid records could offset any possible Medicaid revenue growth generated from this evaluation process. Under the existing Nurse Home Visitor Program model, the Department oversees approximately 18 grants, and \$10 million in state and federal funding with one program manager. Any additional responsibilities, such as visiting local sites to examine client files, would require dedicated staff for that specific purpose. Although the Department does not believe administrative site monitoring is a cost-effective option, we will continue to track local billing patterns and work directly with local sites to address any evident concerns that could lead to a loss in Medicaid revenue.
- (b) Agree. Implementation date: Ongoing. During Fiscal Year 2004-05, the Department initiated quarterly emails to the local sites sharing the aggregate Medicaid billing information based on available reports provided by the Department of Health Care Policy and Financing. Early technical problems resulted in the temporary delay of reports and email notification to local sites. At the very least, the Department informs each local site during the mid-year budget adjustment process of the most recent Medicaid billing information available. However, the sites have been made aware that they have constant direct access to their own billing information and should regularly request and review their Medicaid reimbursement status.
- (c) Agree. Implementation date: Ongoing. Administrative monitoring, such as Medicaid enrollment, are not within the scope of work or the business mission of the National Center for Children, Families and Communities, the Nurse-Family Partnership National Office, or Invest in Kids. The Department has clearly identified, as indicated in the grantee contracts, a direct contact person at the Department of Health Care Policy and Financing and Affiliated Computer Systems. These individuals are available to local sites for assistance with enrollment and billing issues to ensure maximum reimbursement activity. This would be a new activity for the Department and, at this point, prohibitive without additional financial and personnel resources.
- (d) Agree. Implementation date: January 2007. Medicaid training was provided to all local sites prior to the commencement of Medicaid billing on July 1, 2004. The Department will consult with the Department of Health Care Policy and Financing to determine the best intervals in which to offer continued enrollment and billing training. The billing procedures are standard and will likely only require additional training on an as-needed basis.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of October 3, 2006**

**Implementation Status**

For Fiscal Year 2005-06, it was projected that the grantees would generate \$2,358,417 in Medicaid revenue. According to a year-end report provided by the Department of Health Care Policy and Financing (HCPF), a total of \$2,466,991 in reimbursements was paid to grantees for the period of July 1, 2005 through June 30, 2006. The overage of \$108,574 indicates that grantees are maximizing their Medicaid revenue potential and, in fact, exceeding the estimated amounts.

(a) In progress.

On July 7, 2006, HCPF sent letters to 13 of the 18 grantees requesting documents verifying Medicaid claims paid under the Nurse Home Visitor Program. HCPF has completed their file review of the 13 grantees and found all billings to be in order.

(b) Ongoing.

In September, the Nurse Home Visitor Program director will be sending out FY05-06 year-end letters to grantees related to their program performance. The letters will include Medicaid figures for each respective site and recommendations for increasing Medicaid revenue, if applicable.

(c) Ongoing.

In an effort to increase grantees' knowledge about Medicaid eligibility and enrollment, the Nurse Home Visitor Program director emailed grantees a notice of a July Medicaid training for eligibility technicians, and outreach and enrollment professionals. The Nurse Home Visitor Program director also mailed handouts provided at the training to all grantees in case they were unable to attend the event.

(d) In progress.

On July 27, 2006, the Nurse Home Visitor Program director met with the HCPF staff who have agreed to explore the provision of another Medicaid enrollment and billing procedures training. A possible timeframe for the training may be January/February 2007.

**Auditor Recommendation No. 6**

The Department of Public Health and Environment should work with the National Center and its subcontractors, the Nurse-Family Partnership, Inc. and Invest in Kids, to ensure that local sites consider only the mother's income when determining income eligibility for the Nurse Home Visitor Program. Additionally, the Department and its subcontractors should ensure that local sites verify all reported income and provide training to local site staff on eligibility requirements as necessary.

**Department of Public Health and Environment's Response to the Auditor**

Partially agree. Implementation date: Ongoing for the income requirement. July 1, 2007, for verification of income, contingent upon increased administrative funding for local sites.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of October 3, 2006**

While the Department does not oppose the notion of ensuring that local sites verify reported income of all Program participants, that level of local site monitoring is cost prohibitive to the Department without additional administrative financial and personnel resources to conduct the work. In addition, this level and type of monitoring is not within the scope of work for the National Center for Children, Families and Communities or its subcontractors.

In response to and as provided in our six-month status report for the previous initial audit, the Department provided a guidance letter on eligibility and regular eligibility training to the sites. In addition, an application form was developed, that was uniformly accepted by the sites, which allowed for self-declared income with the applicant's signature attesting that she has provided accurate information for determination of financial eligibility.

Presently, sites are reminded of Program requirements during training sessions and through on-going consultation from Invest in Kids. Invest in Kids conducts an orientation with new nurses and has agreed to further emphasize this income requirement during that orientation.

There exists among the nurses a real concern that forcing proof of income on a high-risk, stressed pregnant mother not only compromises her willingness to participate in the Program, but could change the nature of her relationship with the nurse if the nurse is viewed as an administrative enforcer. The nurses already struggle to enroll and retain mothers in the Program, as previously reported in this audit under client attrition. Furthermore, the duty of verification increases the administrative tasks of the nurse who is supposed to be focused on service provision to enhance a healthy pregnancy for the mother and better care for her newborn.

Nevertheless, the local sites could fulfill this task with greater resources. The Nurse-Family Partnership model calls for a part-time data entry clerk. One option may be to increase Nurse Home Visitor Program funding for that position to fulltime with the intention of adding the task of income verification.

**Implementation Status**

On going and contingent upon increased administrative funding for local sites. In May 2006, the Nurse Home Visitor Program director began addressing this audit issue with the grantee program supervisors and nurses. In November, the Nurse Home Visitor Program director will again address the program supervisors at a statewide meeting. The client application form will be reviewed, emphasizing proper client income verification. Additionally, the nurse supervisor orientation and manual provided by Invest in Kids now contains a section on proper client eligibility, enrollment, and income verification. Training on these eligibility and verification requirements will continue at every meeting with the grantees. The Nurse Home Visitor Program director will request a sample of client applications from the grantees to review local practices.

**Auditor Recommendation No. 7**

The Departments of Public Health and Environment and Health Care Policy and Financing should work with the National Center and its two subcontractors, the Nurse-Family Partnership, Inc. and Invest in Kids, to focus on administrative oversight of the local sites including eligibility

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of October 3, 2006**

determination. Additionally, the Departments should determine which entity should work with the local sites to ensure that sites bill for all Medicaid-eligible participants. The responsibilities of each Department should be clearly documented in a revised Interagency Agreement.

**Department of Public Health and Environment's Response to the Auditor**

Partially agree. Implementation date: Contingent upon receipt of additional resources. The management of the Nurse Home Visitor Program is shared among a four party team: the Department, the National Center for Families, Children and Communities, the Nurse-Family Partnership National Office, and Invest in Kids. As stated, the team is referred to as the Colorado Nurse Family Partnership Coordination Team. Oversight of the Program is bifurcated with the Department primarily responsible for the fiscal and administrative tasks, and the other team members working collectively to ensure program implementation with fidelity to the Nurse-Family Partnership model. Administrative monitoring is not within the scope of work or the business mission of the National Center for Children, Families and Communities, the Nurse-Family Partnership National Office, or Invest in Kids.

As the Nurse Home Visitor Program grows each year, the complexity of the programs expands with it. The Program is expected to be at over \$10 million in Fiscal Year 2006-07 with only 2 FTE, including a .5 FTE for a fiscal officer. The complexity of the Program is heightened with the inclusion of Medicaid revenue and the involvement of the Department of Health Care Policy and Financing. Rarely are there five independent agencies involved in the administration of a single grant program. In order for the Department to comply with this recommendation, increased financial and personnel resources would be required. If more resources were secured, the Department would consult with the Department of Health Care Policy and Financing to establish more active administrative monitoring, including Medicaid billing.

**Implementation Status**

In progress and contingent upon receipt of additional resources.

The negotiation and revision process of the Interagency Agreement begins at the start of the calendar year. At that point, more will be known of the progress toward the audit recommendations and how best to revise the Interagency Agreement to strengthen the interagency oversight of the program.

ATTACHMENT B  
STATE OF COLORADO

Bill Ritter, Jr., Governor  
James B. Martin, Executive Director

Dedicated to protecting and improving the health and environment of the people of Colorado

4300 Cherry Creek Dr. S.  
Denver, Colorado 80246-1530  
Phone (303) 692-2000  
TDD Line (303) 691-7700  
Located in Glendale, Colorado

Laboratory Services Division  
8100 Lowry Blvd.  
Denver, Colorado 80230-6928  
(303) 692-3090

<http://www.cdphe.state.co.us>



Colorado Department  
of Public Health  
and Environment

February 13, 2007

The Honorable Stephanie Takis, Chairperson  
Legislative Audit Committee  
c/o Office of the State Auditor  
200 East 14<sup>th</sup> Avenue  
Denver, CO 80203-2211

Subject: Updated Status of Implementation of the Recommendations Set Forth in the  
Performance Audit of the Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program, Dated May 2006

Dear Senator Takis:

In response to the Office of the State Auditor's letter dated January 2, 2007, attached is the Colorado Department of Public Health and Environment's (department) updated status report of our implementation of the recommendations, as set forth in the performance audit of the Nurse Home Visitor Program, dated May 2006.

This is our second status update to the Nurse Home Visitor Program performance audit. Like our first status update that was presented during the LAC's October 30, 2006 status update meeting, the department has provided the status of implementation on all the recommendations, including recommendation 5(a), a recommendation that the department disagreed with in the original audit report.

The attached status report includes all the auditor's recommendations with the department's responses and implementation dates as presented in the audit report, together with the current implementation status of the auditor's recommendations.

Senator Takis  
February 13, 2007  
Page 2 of 2

Should you have any comments, questions, and/or concerns regarding our responses, please contact Esperanza Ybarra, the Nurse Home Visitor Program Director, at 303-692-2943 or our Internal Auditor, Scott Toland, at 303-692-2105.

Sincerely,

James B. Martin  
Executive Director  
Colorado Department of Public Health  
and Environment

Attachment

cc: Ned Calonge, MD, MPH, Chief Medical Officer  
Jillian Jacobellis, Director, Prevention Services Division (PSD), CDPHE  
Karen Trierweiler, Director, Center for Healthy Families and Communities, PSD, CDPHE  
Chuck Bayard, Director, Administration and Financial Services Division (AFSD), CDPHE  
Ann Hause, Director, Legal and Regulatory Affairs, CDPHE  
Cindy Duffy, Director, Policy, External Affairs and Planning, CDPHE  
Candace Grosz, Director, Women's Health, PSD, CDPHE  
Esperanza Ybarra, Director, Nurse Home Visitor Program, PSD, CDPHE  
Lena Peschanskaia, Chief Fiscal Officer, PSD, CDPHE  
Scott Toland, Internal Auditor, AFSD, CDPHE

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of January 29, 2007**

**Auditor Recommendation No. 1**

The Colorado Department of Public Health and Environment should work with the State Board of Health, the National Center for Children, Families, and Communities, and its subcontractors, the Nurse-Family Partnership, Inc., and Invest in Kids, to address program costs through caseload standards and attrition rates. More specifically, the Department should:

- (a) Determine why local sites are not achieving and maintaining caseload standards and develop strategies to help increase participation.
- (b) Establish guidelines for reducing caseloads and funding when sites do not meet caseload standards.
- (c) Provide attrition analyses to the local sites and develop specific strategies to reduce the level of addressable attrition at each local site.

**Department of Public Health and Environment's Response to the Auditor**

- (a) Agree. Implementation Date: Ongoing. The Department agrees that the issues of client attrition, nurse attrition and active caseload levels require further attention. Dr. David Olds, the National Center for Children, Families and Communities, and the Nurse-Family Partnership National Office have been vigorously working in these areas to strengthen the Nurse-Family Partnership Program nationwide. The Department will continue to work with National Center for Children, Families and Communities, Nurse-Family Partnership National Office, and Invest in Kids, otherwise known as the Colorado Nurse-Family Partnership Coordination Team, related to issues of addressable attrition and active caseloads with local sites.
- (b) Agree. Implementation Date: July 2007. The Department will work with the Colorado Nurse-Family Partnership Coordination Team to develop a detailed plan for setting forth local funding recommendations to the State Board of Health commensurate with the history of active caseload numbers. Once developed, this plan will be formalized by placing it in the annual contract between the Department and the local funded sites.
- (c) Agree. Implementation Date: Ongoing; July 2006 for Year End Letter. Presently, Invest in Kids works closely with each site, through individual site consultations, regional supervisor meetings, and the annual training conference, to review local, state and national attrition data and to discuss strategies for contending with attrition that is amenable to intervention. Commencing July 2004, the sites received a year-end letter from the Colorado Nurse Family Partnership Coordination Team summarizing the sites' previous year's performance. Sites are required to respond to the year-end letter in their annual Progress Report to the Department. The Department will specifically request attrition data and active caseload numbers from the sites in the data section of the year-end letter. This process will direct the sites to intentionally focus on attrition and active caseload levels and to specify the strategies addressing these factors. This existing written communication loop will allow the Department to emphasize attrition and active caseload levels, and for the local sites to consistently give priority and attention to the issues. The Colorado Nurse Family Partnership Coordination Team, primarily through Invest in Kids, can enhance guidance, support, and direction to the local sites based on the discovery of attrition and active caseload trends.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of January 29, 2007**

**Implementation Status**

a) Ongoing.

The Invest in Kids nurse consultants will hold six regional trainings for the grantee sites on the critical role of defining and applying boundaries for nurses working in the Nurse-Family Partnership. Analysis of Colorado client attrition data indicates that, next to client mobility, nurse attrition may be the largest driver of client attrition from the program in Colorado. Nurse attrition from the Nurse-Family Partnership is far more likely when nurses fail to establish clear boundaries in their relationships with clients. Therefore, addressing the link between nurse attrition and client attrition/caseload is at the core of this training.

b) In progress.

The funding guidelines will be discussed with the State Board of Health during the Nurse Home Visitor Program presentation in April 2007.

c) Ongoing and Implemented.

Fiscal Year 2005-06 year-end letters dated October 9, 2006 were mailed to all grantees. Along with other feedback, the letter included site performance data for active caseload and client attrition. Sites are required to respond to the year-end letter in their annual Progress Report due to the Department in March 2007. This process directs the sites to intentionally focus on attrition and active caseload levels and to specify the strategies addressing these factors. The year-end letter response will be a part of a more complete performance report required from the sites in consideration for continuation funding. The nurse consultants with Invest in Kids and the experts with the Nurse-Family Partnership National Service Office continue to provide site-specific and general grantee training and technical assistance on the issue.

**Auditor Recommendation No. 2**

The Department of Public Health and Environment should work to control the administrative costs under the Nurse Home Visitor Program by developing a basis for its indirect cost caps to ensure that administrative costs are reasonable and necessary.

**Department of Public Health and Environment's Response to the Auditor**

Partially agree. Implementation Date: July 2007 and Ongoing. The Department acknowledges the auditors concern for administrative costs. Therefore, the Program will reanalyze the development of a common definition of, accounting for, and limitations on, local administrative costs. Indirect costs are a result of how an entity chooses to efficiently and effectively allocate its costs in accordance with its applicable Federal OMB Cost Principle Circular and may include both administrative and program costs. The basis for the current local indirect cost caps included, but was not limited to, the actual average local indirect cost rates, and was supported by the Department's extensive policy statement that considered various factors including those identified in this report and substantial stakeholder input. We will continue to analyze the basis for the indirect cost caps and whether the indirect cost caps are the proper method to effectively control the local sites' administrative costs.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of January 29, 2007**

**Implementation Status**

In progress.

A team of Department fiscal experts and program staff created a fiscal report and working definitions for administrative and program costs, which will be mailed to all grantees in January 2007 as part of the continuation funding application. In an effort to gain greater clarity on local program costs, sites will be asked to report their grant expenses twice a year – once with their continuation application and again at the end of the fiscal year – as either programmatic or administrative expenditures. It is expected that this method will tease out expenses otherwise reported as indirect costs.

**Auditor Recommendation No. 3**

The Department of Public Health and Environment should improve its oversight of Nurse Home Visitor Program budget requests and cost information by:

- (a) Ensuring budget requests and contract budgets are complete and detail the total cost of the Program, include funding from all revenue sources, and describe proposed expenditures by both line item and funding source.
- (b) Documenting support for changes to expenditures approved in the contract budget.
- (c) Ensuring that both budget requests and contract budgets calculate correctly.

**Department of Public Health and Environment's Response to the Auditor**

Agree. Implementation Date: July 2006. While the Department feels confident that file documents and notes support the creation of appropriate contract budgets, it is agreed that files and contract budgets can be improved by instituting a more uniform manner of documenting the budgeting process. To this end, the Nurse-Family Partnership National Office changed their sample budget form found in the grant application to the one utilized by the Department. This allowed for costs to be stated consistently in the Fiscal Year 2006-07 grant application. Also, the Department, along with the Nurse-Family Partnership National Office, instituted a method of documenting budget revisions and comments, when applicable, that occurred during the Fiscal Year 2006-07 application review. For the first time, this documentation was provided to the Colorado State Board of Health at their April 2006 meeting when Fiscal Year 2006-07 funding approval was requested. Finally, the Department will require that the application budget, the contract budget, and any budget amendments follow the same format of listing total program costs, Nurse Home Visitor Program program costs, Medicaid revenue, and county/in-kind contributions. A comments/notes page will be added to each grantee fiscal file as a means for documenting changes to the budget.

**Implementation Status**

- (a) Implemented.

The application and contract budget form has been revised for greater accuracy, clarity and consistency. Commencing July 1, 2006, grantees are required to utilize the new form and must provide all financial information, including Nurse Home Visitor Program funds awarded, estimated Medicaid dollars, and other sources of funding.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of January 29, 2007**

(b) Implemented.

Budget revision request and justification forms have been developed and were ready for use beginning July 1, 2006. These will serve as file documentation of budget modifications.

(c) Implemented.

The Nurse Home Visitor Program fiscal officer worked one-on-one, and continues to do so, with grantees to ensure there is consistency between the grant application budget, the recommended budget, and the final contract budget. Final budget figures are double-checked by both parties for accuracy. As errors occur, corrected documentation will be placed in the file. On August 11, 2006, the Nurse Home Visitor Program director addressed the directors of administrative services (local health agency fiscal administrators) to update them on the audit, including the new forms and process related to this recommendation. The Nurse Home Visitor Program director has also covered this audit issue with the grantee nurse supervisors.

**Auditor Recommendation No. 4**

The Department of Public Health and Environment and the Department of Health Care Policy and Financing should periodically reexamine the methodology used to calculate Medicaid reimbursement rates for targeted case management services provided through the Nurse Home Visitor Program. This examination should consider the following:

- (a) Methodologies used to develop reimbursement rates for targeted case management services for other Medicaid-funded programs.
- (b) Eliminating site-specific rates and developing one statewide rate for targeted case management services across all sites.
- (c) Using funded caseload rather than actual caseload when calculating the reimbursement rates.
- (d) Including data on a site's total Nurse Home Visitor Program costs in setting targeted case management reimbursement rates.
- (e) Revising the Medicaid State Plan to include the rate-setting methodology and submitting the revision to the Federal Government for approval.

**Department of Public Health and Environment's Response to the Auditor**

- (a) Agree. Implementation date: January 2007. As the Department seeks to update the time study, it will consult with the Department of Health Care Policy and Financing and other Medicaid rate setting experts, if necessary, to determine if there are other methodologies better suited to set targeted case management reimbursement rates.
- (b) Agree. Implementation date: July 2007. The Department, which is not a Medicaid rate-setting expert, will consult with the Department of Health Care Policy and Financing and other expert consultants, if deemed necessary, to examine alternative targeted case management reimbursement rates. The cost of providing targeted case management services

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of January 29, 2007**

differs by site. It depends on caseload size and the local costs for providing the service, including staff salaries, mileage costs, and other programmatic expenses that are unique to each site. After exploring this issue, the Department will make a determination of whether the current site specific rate structure is the most appropriate. In other words, by no means does the Department agree to change or eliminate the site-specific rates, but only agrees to consider their elimination after the previously mentioned exploration.

- (c) Agree. Implementation date: January 2007. As the Department seeks to update the time study, it will consult with the Department of Health Care Policy and Financing and other Medicaid rate setting experts, if necessary, to determine the best use of funded caseload numbers versus actual caseload numbers when establishing reimbursement rates.
- (d) Agree. Implementation date: January 2007. As the Department seeks to update the time study, it will consult with the Department of Health Care Policy and Financing and other Medicaid rate setting experts, if necessary, to determine the best use of total program costs when establishing reimbursement rates.
- (e) Agree. Implementation date: January 2007. As with the first time study and rate-setting method, the Department agrees to follow the existing Medicaid State Plan approval process and to comply with established protocol for acquiring federal government approval, as deemed necessary.

**Implementation Status**

In progress.

The Nurse Home Visitor Program director met with Department of Health Care Policy and Financing (HCPF) staff, Department purchasing staff, and a consultant with the Public Consulting Group to determine the purchasing/bid process, and to discuss a rate revision method and related costs for a revised time study. The Department is now exploring a time line and funding options, in light of impending Tobacco Master Settlement Agreement reductions, for the revised time study, which is expected to cost at least \$50,000.

**Auditor Recommendation No. 5**

The Department of Public Health and Environment should ensure the maximization of Medicaid reimbursements at local sites by working with the National Center and its subcontractors, the Nurse-Family Partnership, Inc. and Invest in Kids, to:

- (a) Visit local sites and review a sample of client files to verify that bills have been submitted for Medicaid services provided.
- (b) Share the aggregate data provided by the Department of Health Care Policy and Financing with sites so that sites may review their billings and reimbursements for reasonableness.
- (c) Ensure that all Medicaid-eligible participants are identified and receive assistance with enrollment.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of January 29, 2007**

- (d) Work with the Department of Health Care Policy and Financing to provide additional training to local sites regarding Medicaid client enrollment and billing procedures.

**Department of Public Health and Environment's Response to the Auditor**

- (a) Disagree. The Department respectfully disagrees with this recommendation for three primary reasons. First, administrative monitoring, such as on-site Medicaid reviews, is not within the scope of work or the business mission of the National Center for Children, Families and Communities, the Nurse-Family Partnership National Office, or Invest in Kids. As a result, these organizations do not have the expertise to perform such functions. Second, the audit was conducted during the initial period of Medicaid reimbursement billing. Therefore it may not accurately reflect the true level of Medicaid reimbursements. Finally, the Department believes the substantial additional cost of conducting on-site reviews of Medicaid records could offset any possible Medicaid revenue growth generated from this evaluation process. Under the existing Nurse Home Visitor Program model, the Department oversees approximately 18 grants, and \$10 million in state and federal funding with one program manager. Any additional responsibilities, such as visiting local sites to examine client files, would require dedicated staff for that specific purpose. Although the Department does not believe administrative site monitoring is a cost-effective option, we will continue to track local billing patterns and work directly with local sites to address any evident concerns that could lead to a loss in Medicaid revenue.
- (b) Agree. Implementation date: Ongoing. During Fiscal Year 2004-05, the Department initiated quarterly emails to the local sites sharing the aggregate Medicaid billing information based on available reports provided by the Department of Health Care Policy and Financing. Early technical problems resulted in the temporary delay of reports and email notification to local sites. At the very least, the Department informs each local site during the mid-year budget adjustment process of the most recent Medicaid billing information available. However, the sites have been made aware that they have constant direct access to their own billing information and should regularly request and review their Medicaid reimbursement status.
- (c) Agree. Implementation date: Ongoing. Administrative monitoring, such as Medicaid enrollment, are not within the scope of work or the business mission of the National Center for Children, Families and Communities, the Nurse-Family Partnership National Office, or Invest in Kids. The Department has clearly identified, as indicated in the grantee contracts, a direct contact person at the Department of Health Care Policy and Financing and Affiliated Computer Systems. These individuals are available to local sites for assistance with enrollment and billing issues to ensure maximum reimbursement activity. This would be a new activity for the Department and, at this point, prohibitive without additional financial and personnel resources.
- (d) Agree. Implementation date: January 2007. Medicaid training was provided to all local sites prior to the commencement of Medicaid billing on July 1, 2004. The Department will consult with the Department of Health Care Policy and Financing to determine the best

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of January 29, 2007**

intervals in which to offer continued enrollment and billing training. The billing procedures are standard and will likely only require additional training on an as-needed basis.

**Implementation Status**

For Fiscal Year 2005-06, it was projected that the grantees would generate \$2,358,417 in Medicaid revenue. According to a year-end report provided by the Department of Health Care Policy and Financing (HCPF), a total of \$2,466,991 in reimbursements was paid to grantees for the period of July 1, 2005 through June 30, 2006. The overage of \$108,574 indicates that grantees are maximizing their Medicaid revenue potential and, in fact, exceeding the estimated amounts.

According to the January report from HCPF, sites have been paid \$1,345,627 in Medicaid claims between July 1, 2006 and December 31, 2006. For Fiscal Year 2006-07, it was estimated that grantees would generate \$2,576,284 in Medicaid revenue. Based on the most recent HCPF report, grantees have acquired 52% of the total expected Medicaid amount within the first six months of the current fiscal year. This informs us that grantees are on target to acquire the full amount of Medicaid funds for Fiscal Year 2006-07.

- (a) On July 7, 2006, HCPF sent letters to 13 of the 18 grantees requesting documents verifying Medicaid claims paid under the Nurse Home Visitor Program. HCPF has completed their file review of the 13 grantees and found all billings to be in order.
- (b) Ongoing.  
The Nurse Home Visitor Program director sent out Fiscal Year 2005-06 year-end letters, dated October 9, 2006, to grantees related to their program performance, including Medicaid figures for each site. The Nurse Home Visitor Program director will begin the Fiscal Year 2006-07 mid-year budget adjustment process with grantees in February 2007. At that time, sites will again be informed of their reported Medicaid revenue as a means of tracking their overall program funding.
- (c) Ongoing.  
The grant application contains a Medicaid assurance page wherein the applicant must agree to be a Medicaid provider and bill for Targeted Case Management services under the Nurse Home Visitor Program. New to the assurance page is the added requirement that the sites ensure that all Medicaid-eligible participants are identified and receive assistance with enrollment.
- (d) Ongoing.  
Sites have been informed of the specific contact person at HCPF assigned to work with Nurse Home Visitor Program grantees. HCPF is willing to conduct another training for Medicaid enrollment and billing, if needed. At this point, no site has made a request for additional training. Given that sites are in line with Medicaid revenue estimates, it appears that enrollment and billing procedures are not an issue at the moment.

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of January 29, 2007**

**Auditor Recommendation No. 6**

The Department of Public Health and Environment should work with the National Center and its subcontractors, the Nurse-Family Partnership, Inc. and Invest in Kids, to ensure that local sites consider only the mother's income when determining income eligibility for the Nurse Home Visitor Program. Additionally, the Department and its subcontractors should ensure that local sites verify all reported income and provide training to local site staff on eligibility requirements as necessary.

**Department of Public Health and Environment's Response to the Auditor**

Partially agree. Implementation date: Ongoing for the income requirement. July 1, 2007, for verification of income, contingent upon increased administrative funding for local sites.

While the Department does not oppose the notion of ensuring that local sites verify reported income of all Program participants, that level of local site monitoring is cost prohibitive to the Department without additional administrative financial and personnel resources to conduct the work. In addition, this level and type of monitoring is not within the scope of work for the National Center for Children, Families and Communities or its subcontractors.

In response to and as provided in our six-month status report for the previous initial audit, the Department provided a guidance letter on eligibility and regular eligibility training to the sites. In addition, an application form was developed, that was uniformly accepted by the sites, which allowed for self-declared income with the applicant's signature attesting that she has provided accurate information for determination of financial eligibility.

Presently, sites are reminded of Program requirements during training sessions and through on-going consultation from Invest in Kids. Invest in Kids conducts an orientation with new nurses and has agreed to further emphasize this income requirement during that orientation.

There exists among the nurses a real concern that forcing proof of income on a high-risk, stressed pregnant mother not only compromises her willingness to participate in the Program, but could change the nature of her relationship with the nurse if the nurse is viewed as an administrative enforcer. The nurses already struggle to enroll and retain mothers in the Program, as previously reported in this audit under client attrition. Furthermore, the duty of verification increases the administrative tasks of the nurse who is supposed to be focused on service provision to enhance a healthy pregnancy for the mother and better care for her newborn.

Nevertheless, the local sites could fulfill this task with greater resources. The Nurse-Family Partnership model calls for a part-time data entry clerk. One option may be to increase Nurse Home Visitor Program funding for that position to fulltime with the intention of adding the task of income verification.

**Implementation Status**

On going and contingent upon increased administrative funding for local sites.

During the May 2006 annual grantee training, the Nurse Home Visitor Program director began addressing all audit issues with the grantee program supervisors and nurses. The

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of January 29, 2007**

October 9, 2006 year-end letters reiterated the responsibility of grantees to determine eligibility based on the mother's income only and to obtain documentation verifying the mother's income. In November 2006, a review of this requirement was provided to the program supervisors at a statewide meeting. The FY2007-08 grant application, which is scheduled for release in January 2007, includes a program compliance assurance page that requires signature by the agency authority. An element of the assurance page is that sites will comply with this eligibility and verification requirement. Finally, the nurse supervisor orientation and manual provided by Invest in Kids was revised to contain a section on proper client eligibility, enrollment, and income verification.

**Auditor Recommendation No. 7**

The Departments of Public Health and Environment and Health Care Policy and Financing should work with the National Center and its two subcontractors, the Nurse-Family Partnership, Inc. and Invest in Kids, to focus on administrative oversight of the local sites including eligibility determination. Additionally, the Departments should determine which entity should work with the local sites to ensure that sites bill for all Medicaid-eligible participants. The responsibilities of each Department should be clearly documented in a revised Interagency Agreement.

**Department of Public Health and Environment's Response to the Auditor**

Partially agree. Implementation date: Contingent upon receipt of additional resources. The management of the Nurse Home Visitor Program is shared among a four party team: the Department, the National Center for Families, Children and Communities, the Nurse-Family Partnership National Office, and Invest in Kids. As stated, the team is referred to as the Colorado Nurse Family Partnership Coordination Team. Oversight of the Program is bifurcated with the Department primarily responsible for the fiscal and administrative tasks, and the other team members working collectively to ensure program implementation with fidelity to the Nurse-Family Partnership model. Administrative monitoring is not within the scope of work or the business mission of the National Center for Children, Families and Communities, the Nurse-Family Partnership National Office, or Invest in Kids.

As the Nurse Home Visitor Program grows each year, the complexity of the programs expands with it. The Program is expected to be at over \$10 million in Fiscal Year 2006-07 with only 2 FTE, including a .5 FTE for a fiscal officer. The complexity of the Program is heightened with the inclusion of Medicaid revenue and the involvement of the Department of Health Care Policy and Financing. Rarely are there five independent agencies involved in the administration of a single grant program. In order for the Department to comply with this recommendation, increased financial and personnel resources would be required. If more resources were secured, the Department would consult with the Department of Health Care Policy and Financing to establish more active administrative monitoring, including Medicaid billing.

**Implementation Status**

In progress and contingent upon receipt of additional resources.

The Nurse Home Visitor Program is facing an \$800,000 reduction in this current fiscal year

**Performance Audit of the  
Colorado Department of Public Health and Environment's  
Nurse Home Visitor Program  
Status Report  
As of January 29, 2007**

and a \$1.5 million reduction in the upcoming Fiscal Year 2007-08. This loss in funding will result in fewer available resources to intensify the administrative oversight of the program.

The negotiation and revision process of the Interagency Agreement has only recently begun. Revision to the Interagency Agreement between the department and HCPF will include, to the extent it is applicable and possible, the audit recommendations.