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UCP snagged over

excess Medicaid funds

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United Cerebral Palsy Associations of New York State has collected some \$10.5 million in excess Medicaid reimbursements through its operation of a residential complex in Willowbrook serving the mentally retarded, according to an investigation by state Comptroller Edward V. Regan.

State mental retardation officials, who administer Medicaid funds for the complex, the Karl D. Warner Center, said yesterday that United Cerebral Palsy (UCP) has repaid \$6.9 million of the total amount owed. The agency is disputing the remaining \$3.6 million.

UCP, a non-profit agency, collected the excess funds over three years, from September 1977 through September 1980, according to the comptroller's findings — which prompted the repayment while the audit was still under way.

Regan's audit, filed last Jan. 6, is the first outside financial review of the Karl D. Warner Center since it opened in September 1977. The Advance obtained a copy of the report last week, although it has not been officially released yet.

Medicaid is a program of reimbursement fueled by state and federal tax revenues. In its first year of operation alone, the Warner Center reported \$20.2 million in expenses, \$18.6 million of which were

recovered from Medicaid.

"We have to have an absolute assurance that there's no criminality involved, no diversion of public funds for other than the use for which they were intended," James E. Introne, the state's commissioner of mental retardation, said yesterday. "The other thing we want an audit to do is provide a point in time for settling accounts."

Introne said the audit satisfied him that "there is no cause for puni-

tive action."

Efforts to reach UCP officials were unavailing yesterday. Lesser administrators deferred to Robert Schonhorn, the agency's executive director, whose secretary said he was busy in meetings.

The commissioner added that his office is currently taking bids from non-government auditing firms to conduct a supplementary review of the Warner Center to verify the \$3.6 million disputed by UCP. He said

the independent audit is expected to be completed by June 1.

Located on the sprawling grounds of the state-run Staten Island Developmental Center, Willowbrook, the Warner Center shares a small percentage of its staff and its physical plant with the larger institution.

It is UCP's responsibility to pay for Medicaid reimbursement of the shared services, but the agency

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expected to give the reimbursement to the developmental center.

Essentially, the Regan audit discovered that UCP had improperly kept approximately \$10.5 million in Medicaid reimbursements for shared services. These services included staff salaries and fringe benefits, religious activities, utilities, security and grounds-keeping.

In addition, the comptroller's staff calculated that UCP padded the shared-service bill by \$1.5 million of the total, using an inflated Medicaid rate.

"In almost every instance, UCP was funded in excess of its expenditures, or it recovered funds but did not refund them to the state as required," the auditors wrote.

To avoid future overcharging, the auditors revised the Medicaid rate established by UCP, whittling it from \$85 to \$77.64 per resident-day.

Regan advised the state to negotiate a repayment plan for the Medicaid funds owed to the state by UCP, taking into account interest on funds invested by the agency.

Kevin Travis, an audit specialist in the state Office for Mental Retardation and Developmental Disabilities, said yesterday that the inaccurate Medicaid rate reflected a common problem created by the need to budget expenses in advance.

Acknowledging that UCP continued to use the inflated rate for three years, he said: "It probably pays to wait a while before you go back to

validate actual costs. Otherwise, you'll set a rate on bum information and put the agency out of business."

In 1977 the Warner Center encompassed 10 buildings serving 626 mentally retarded residents. A federal court-ordered policy of closing institutions and replacing them with group homes in the community has reduced the center to six buildings holding 460 residents.

Regan's staff found that as part of the push toward community placement, the Office for Mental Retardation secured interest-free loans from UCP, violating the state Finance Law.

The \$1,050,000 in loans, derived from Medicaid funds and since repaid by the state, were used as starter capital for community programs unspecified in the audit.

Irritated by Regan's criticism of the loan venture, Introne said yesterday that he could be declared in contempt of court if the state failed to proceed with the community placement programs.

"There was a great deal of frustration in getting the cash to move fast enough," he said. "UCP agreed to help the state out."

"What the audit doesn't say," Introne added, "is the amount of money New York state owed UCP for services it provided. The state has been a bad payer. If you're going to balance the accounts on one side, you certainly should balance them on the other side."

The comptroller's audit is based on a review of UCP records for the period September 1977 to September 1978. Extrapolation from the audit's one-year scope produced the \$10.5 million figure in excess Medicaid funds through 1980.

Regan's staff also identified the following questionable financial practices during the Warner

Center's first year in operation:

¶ UCP was tardy in informing the Social Security Administration that the care of some Warner Center residents had been shifted to Medicaid, rendering them ineligible for Social Security Income (SSI). Nearly \$68,000 in SSI was wrongly collected by the center as a result.

¶ Under a contract for the purchase of supplies, the Office for Mental Retardation paid \$2,500 in "administrative" costs to a UCP subdivision, Housing for the Disabled.

"This was primarily for the writing of 24 checks," the auditors complained. "This charge appears excessive for such minimal services, especially since the center did all of the purchasing."

¶ UCP overstated by \$196,461 the administrative work performed in its Manhattan office on behalf of the Warner Center. UCP denies any misrepresentation, according to Travis.

The agency contends that it was promised reimbursement through the Warner Center of 2 percent of its central office costs. The challenged amount is less than 2 percent, but Travis said UCP may not have realized it was required to document the expenses.