Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

GEORGIA DID NOT ALWAYS ACCURATELY REPORT AND REFUND THE FEDERAL SHARE OF MEDICAID COLLECTIONS FOR CALENDAR YEARS 2008 THROUGH 2011

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

Gloria L. Jarmon
Deputy Inspector General

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Office of Inspector General

https://oig.hhs.gov

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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EXECUTIVE SUMMARY

For calendar years 2008 through 2011, Georgia underreported the Federal share of its Medicaid collections to be refunded to the Federal Government by $10,915,180.

WHY WE DID THIS REVIEW

The Federal Government pays its share of a State's medical assistance costs under the Medicaid program on the basis of the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Previous Office of Inspector General reviews have shown that States did not always report collections properly or refund the Federal share at the appropriate FMAP.

The objective of our audit was to determine whether the Georgia Department of Community Health (State agency) accurately reported Medicaid collections for calendar years (CYs) 2008 through 2011.

BACKGROUND

Title XIX of the Social Security Act (the Act) established the Medicaid program to provide medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly administer and fund the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the Medicaid program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In Georgia, the State agency administers the Medicaid program.

The FMAP varies depending on the State's relative per capita income. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time.

States claim Medicaid expenditures and the associated Federal share on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64). The CMS-64 shows the disposition of Medicaid funds used to pay for medical and administrative costs for the quarter being reported and any prior-period adjustments.

To account for overpayments, refunds, and similar receipts, States report collections on the CMS-64. Collections decrease both the total expenditures reported for a quarter and the amount of Federal funding that States receive. If collections are underreported, the Federal share for the quarter will be higher than it should be. Conversely, overreporting collections results in a lower Federal share.

WHAT WE FOUND

For CYs 2008 through 2011, the State agency did not always accurately report Medicaid collections on its CMS-64s. Of about $396 million in total collections, the State agency accurately reported and refunded the Federal share on about $20 million; however, it did not accurately report or refund the Federal share on about $376 million. Generally, the State agency did not refund the correct Federal share because it did not maintain adequate documentation supporting the specific-period FMAPs used to calculate the Federal share of collections. As a result, the State agency underreported $10,915,180 (Federal share) of collections to be refunded to the Federal Government.

WHAT WE RECOMMEND

We recommend that the State agency:

- refund $10,915,180 to the Federal Government and

- develop and implement internal controls to ensure that it adequately supports specific-period FMAPs used to calculate the Federal share of collections refunded.

STATE AGENCY COMMENTS AND OUR RESPONSE

In written comments on our draft report, the State agency concurred with our second recommendation and described corrective actions that it planned to take. However, it did not concur with our first recommendation and maintained that it had provided us with cost settlement documentation that warranted adjustment of the recommended refund amount. The State agency also requested details regarding which cost settlement refunds remained at the amount claimed on the CMS-64s and which cost settlement refunds required an FMAP adjustment.

We maintain that Georgia underreported the Federal share of its Medicaid collections to be refunded to the Federal Government. The State agency's documentation did not support the specific-period FMAPs used to calculate the Federal share of about $376 million in collections. As requested, we provided the State agency with documentation detailing our treatment of each collection (including cost settlement refunds) and identifying those requiring an FMAP adjustment. However, we continue to recommend that the State agency refund $10,915,180 to the Federal Government.

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INTRODUCTION

WHY WE DID THIS REVIEW

The Federal Government pays its share of a State's medical assistance costs under the Medicaid program on the basis of the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Previous Office of Inspector General (OIG) reviews have shown that States did not always report collections properly or refund the Federal share at the appropriate FMAP (Appendix A).

OBJECTIVE

The objective of our audit was to determine whether the Georgia Department of Community Health (State agency) accurately reported Medicaid collections for calendar years (CYs) 2008 through 2011.

BACKGROUND

The Medicaid Program: How It Is Administered and How States Claim Federal Reimbursement for Expenditures

Title XIX of the Social Security Act (the Act) established the Medicaid program to provide medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly administer and fund the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the Medicaid program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In Georgia, the State agency administers the Medicaid program.

The Federal Government pays its share of a State's medical assistance costs under Medicaid on the basis of the FMAP, which varies depending on the State's relative per capita income (section 1905(b) of the Act). States with a lower per capita income relative to the national average are reimbursed a greater share of their costs. States with a higher per capita income are reimbursed a lesser share. For CYs 2008 through 2011, Georgia's FMAP ranged from 63.10 percent to 75.16 percent. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time.[1]

The States claim Medicaid expenditures and the associated Federal share on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64). The CMS-64 shows the disposition of Medicaid funds used to pay for medical and administrative costs for the quarter being reported and any prior-period adjustments. The amount claimed on

[1] For example, Congress passed the Recovery Act, which provided additional Federal funding based on temporary increases in States' FMAPs (P.L. No. 111-5, § 5000 (Feb. 17, 2009)).

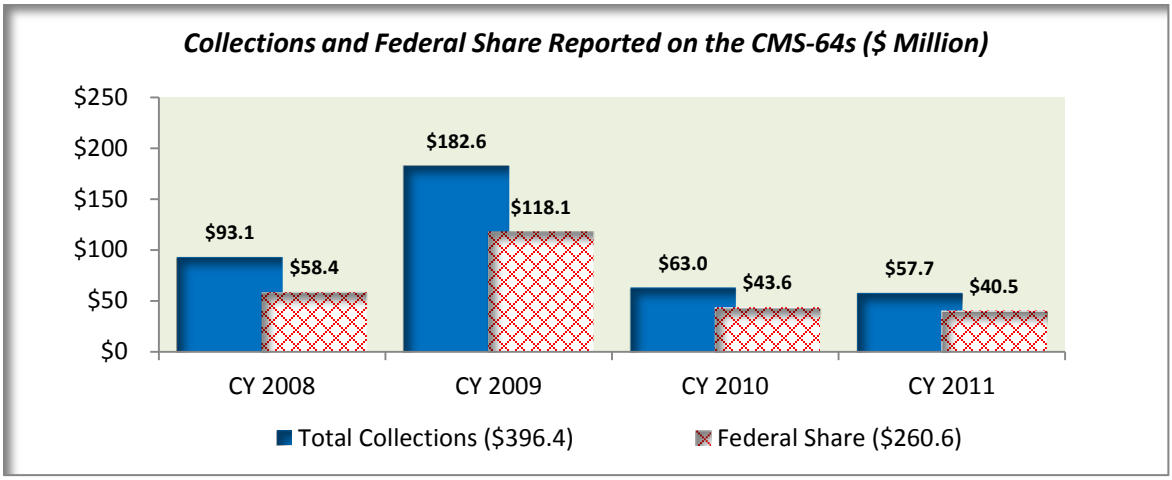
the CMS-64 is a summation of expenditures derived from source documents, such as claims, invoices, cost reports, and eligibility records.

To account for overpayments, refunds, and similar receipts, States report collections on the CMS-64. Collections decrease both the total expenditures reported for a quarter and the amount of Federal funding that States receive. If collections are underreported, the Federal share for the quarter will be higher than it should be. Conversely, overreporting collections results in a lower Federal share.

Georgia Department of Community Health

At the end of each quarter, a State agency official used a State-generated general ledger combined detail report to identify collections to be reported on the CMS-64. This detail report captured the current and prior-year collections and grouped them by source with their respective State and Federal share. Among other things, it included collections related to third-party liability (TPL) sources,[2] Medicaid provider cost settlements, and program integrity (PI) efforts.[3]

As shown on the following graph, the State agency reported collections totaling about $396.4 million ($260.6 million Federal share) on its CMS-64s for CYs 2008 through 2011.[4]



[2] TPL sources included collections from the Health Insurance Premium Payment program, Children's Health Insurance Program Re-Authorization Act, Casualty program, Estate Recovery program, Credit Balance Audits, Provider Recoupment and Billing, and Trust Operations.

[3] The purpose of PI efforts is to guard against fraud, abuse, and deliberate waste of Medicaid program benefits.

[4] For CYs 2008 through 2011, the State agency reported Medicaid collections totaling $401,479,193 on its CMS-64s, of which CMS had already approved $5,112,567 in adjustments. We reviewed the remaining $396,366,626 ($260,634,749 Federal share).

HOW WE CONDUCTED THIS REVIEW

We limited our review to Medicaid collections reported on the State agency's CMS-64s from January 1, 2008, through December 31, 2011. We reviewed these collection amounts and supporting documentation to determine whether the State agency adequately supported specific-period FMAPs used to calculate the Federal share of collections refunded on the CMS-64s.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B contains the details of our audit scope and methodology, and Appendix C contains Federal requirements.

FINDING

For CYs 2008 through 2011, the State agency did not always accurately report Medicaid collections on its CMS-64s. Of about $396 million in total collections, the State agency accurately reported and refunded the Federal share on about $20 million; however, it did not accurately report or refund the Federal share on about $376 million. Generally, the State agency did not refund the correct Federal share because it did not maintain adequate documentation supporting the specific-period FMAPs used to calculate the Federal share of collections. As a result, the State agency underreported $10,915,180 (Federal share) of collections to be refunded to the Federal Government.

FEDERAL SHARE INACCURATELY REPORTED FOR COLLECTIONS

CMS reimburses each State at the FMAP for the quarter in which the expenditure was made (section 1903(a)(1) of the Act). According to section 2500.1(B) of the CMS *State Medicaid Manual* (the Manual), the State agency must report an overpayment or other collection on the CMS-64 report for the quarter in which the recovery is made and must compute the Federal share of collections at the Federal matching rate at which CMS matched the original expenditure.

When a State cannot relate the recovery to a specific time period (e.g., the State does not operate a recordkeeping system that documents the original FMAP), section 2500.6(B) of the Manual instructs the State to compute the Federal share at the FMAP in effect at the time the refund is collected and reported (current FMAP).

Section 2500(A)(1) of the Manual states that documentation supporting the amounts reported on the CMS-64 report must be in readily reviewable form and available immediately at the time the claim is filed. In addition, section 2500.1(B) of the Manual requires that the State agency make available supporting documentation for certain types of collections upon request.

For CYs 2008 through 2011, the State agency applied specific-period FMAPs[5] to all $396 million in collections when calculating the Federal share to be refunded to the Federal Government. However, for about $376 million in collections, the State agency did not maintain adequate support to relate the collections to specific periods and FMAPs at which the original expenditures were matched by the Federal Government. Therefore, in accordance with Federal requirements, the State agency should have computed the Federal share to be refunded at the current FMAP for these collections.

Using the current FMAP, we calculated an underreported Federal share of $10,915,180 of collections to be refunded to the Federal Government. (See the table below.)

Table: Underreported Federal Share

Period	Federal Share Per the State Agency[6]	Federal Share Per OIG[7]	Underreported Federal Share
CY 2008	$58,448,118	$59,404,912	$956,794
CY 2009	118,106,110	125,723,753	7,617,643
CY 2010	43,574,154	46,887,487	3,313,333
CY 2011	40,506,367	39,533,777	(972,590)
Total	**$260,634,749**	**$271,549,929**	**$10,915,180**

The State agency did not maintain adequate documentation supporting the specific-period FMAPs that it used to calculate the Federal share of collections refunded. The State agency grouped collections into project codes to identify the specific-period FMAPs at which original expenditures were matched by the Federal Government. For the majority of these collections, the State agency did not maintain adequate documentation to relate the collections to the specific periods and FMAPs used to determine the Federal share to be refunded.

According to State agency officials, tracing the project codes to TPL invoices, bank statements, or other source documentation was not practical because the information was too voluminous or not readily available, and the process was too complicated.

[5] The specific-period FMAPs were generally lower than the current FMAPs.

[6] The State agency used specific-period FMAPs when calculating the Federal share of total collections totaling $396,366,626 ($260,634,749 Federal share).

[7] We used the current FMAPs when calculating the Federal share of collections totaling $375,777,264 ($271,549,929 Federal share) for which the State agency did not adequately support the specific-period FMAPs used. The State agency adequately supported the specific-period FMAPs used to calculate the Federal share of the remaining collections totaling $20,589,362.

RECOMMENDATIONS

We recommend that the State agency:

- refund $10,915,180 to the Federal Government and

- develop and implement internal controls to ensure that it adequately supports specific-period FMAPs used to calculate the Federal share of collections refunded.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with our second recommendation and described corrective actions that it planned to take. However, it did not concur with our first recommendation and maintained that it had provided us with cost settlement documentation that warranted adjustment of the recommended refund amount. The State agency also requested details regarding which cost settlement refunds remained at the amount claimed on the CMS-64s and which cost settlement refunds required an FMAP adjustment.

We maintain that Georgia underreported the Federal share of its Medicaid collections to be refunded to the Federal Government. The State agency's documentation did not support the specific-period FMAPs used to calculate the Federal share of about $376 million in collections. As requested, we provided the State agency with documentation detailing our treatment of each collection (including cost settlement refunds) and identifying those requiring an FMAP adjustment. However, we continue to recommend that the State agency refund $10,915,180 to the Federal Government.

The State agency's comments are included in their entirety as Appendix D.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
Delaware Did Not Comply With Federal Requirements To Report All Medicaid Overpayment Collections	A-03-11-00203	6/28/12
States Inappropriately Retained Federal Funds for Medicaid Collections for the First Recovery Act Quarter	A-06-11-00064	6/22/12
Review of Oklahoma Collections for the Medical Assistance Program for Calendar Years 2004 Through 2009	A-06-10-00057	1/5/12

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our review covered Medicaid collections totaling $396,366,626 ($260,634,749 Federal share) reported on the CMS-64s for the 4-year period January 1, 2008, through December 31, 2011.

We limited our review to documentation supporting the collections reported on the CMS-64s and the methodologies that the State agency used to calculate the Federal share of collections. We did not review the overall internal control structure of the State agency or the Medicaid program. Rather, we limited our internal control review to the objective of our audit.

We conducted fieldwork at the State agency offices in Atlanta, Georgia, from May 2012 through April 2013.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal requirements and applicable sections of the Manual;
- interviewed CMS officials responsible for identifying and monitoring Medicaid collections and the Federal share;
- interviewed State agency officials to gain an understanding of its procedures for identifying and reporting collections on the CMS-64s;
- interviewed the TPL contractor to gain an understanding of its collection efforts and how collections were reported to the State agency;
- judgmentally selected one quarter in each CY to gain an understanding of the collections identification and reporting process and the type of support used to prepare the CMS-64;
- obtained and analyzed quarterly CMS-64s for CYs 2008 through 2011 along with supporting documentation;
- reviewed Medicaid collections totaling $396,366,626 ($260,634,749 Federal share) reported during our audit period on the CMS-64s;
- analyzed TPL invoices and reports, financial reports, PI reports, bank statements, general ledger transactions, cost settlement receipts, and revenue reports to determine the completeness and the accuracy of collections;
- attempted to reconcile collections reported on the general ledger reports to the TPL invoices and reports, financial reports, PI reports, bank statements, and revenue reports;

- calculated, using the current FMAP for each quarter, the additional Federal share for all identified collections reported on the general ledger report in accordance with the Manual; and

- summarized our findings and discussed our results with CMS and State agency officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C: FEDERAL REQUIREMENTS

FEDERAL REQUIREMENTS FOR REPORTING AND REFUNDING MEDICAID COLLECTIONS

CMS reimburses each State at the FMAP for the quarter in which the expenditure was made (section 1903(a)(1) of the Act). According to section 2500.1(B) of the Manual, the State agency must report an overpayment or other collection on the CMS-64 report for the quarter in which the recovery is made and must compute the Federal share of collections at the Federal matching rate at which CMS matched the original expenditure.

When a State recovers a prior expenditure, it refunds the Federal share by reporting the recovery on the CMS-64 at the FMAP used to calculate the amount it originally had received. The Manual, section 2500.6(B), instructs States to:

> determine the date or period of the expenditure for which the refund is made to establish the FMAP at which the original expenditure was matched by the Federal government. Make refunds of the Federal share at the FMAP for which you were reimbursed. When recoveries cannot be related to a specific period, compute the Federal share at the FMAP rate in effect at the time the refund was received.

Section 2500(A)(1) of the Manual states, "the amounts reported on Form [CMS-64] and its attachments must be actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and is available immediately at the time the claim is filed."

Section 2500.1(B) of the Manual requires that the State agency make available supporting documentation for certain types of collections upon request.

APPENDIX D: STATE AGENCY COMMENTS

GEORGIA DEPARTMENT
OF COMMUNITY HEALTH

Nathan Deal, Governor

Clyde L. Reese III, Esq., Commissioner

2 Peachtree Street, NW | Atlanta, GA 30303-3159 | 404-656-4507 | www.dch.georgia.gov

February 11, 2014

Response to Report Number: A-04-12-00085

Ms. Lori S. Pilcher
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General
Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

Dear Ms. Pilcher:

The Georgia Department of Community Health's (DCH) response to the draft report entitled *Georgia Did Not Always Accurately Report and Refund the Federal Share of Medicaid Collections for Calendar Years 2008 Through 2011* is provided below.

The report's conclusion in, ***WHAT WE FOUND,*** states that "*For CYs 2008 through 2011, the State agency did not always accurately report Medicaid collections on its CMS-64s. Of about $396 million in total collections, the State agency accurately reported and refunded the Federal share on about $20 million; however, it did not accurately report or refund the Federal share on about $376 million. Generally, the State agency did not refund the correct Federal share because it did not maintain adequate documentation supporting the specific-period FMAPs used to calculate the Federal share of collections. As a result, the state agency underreported $10,915,180 in Federal share of collections to be refunded to the Federal Government.*"

In response to the above finding, in **WHAT WE RECOMMEND,** the report contains two recommendations.

Recommendation 1:
Refund $10,915,180 to the Federal Government.

DCH Response:
The Department of Community Health (DCH) does not concur with the recommendation. Supporting documentation in the amount of $7,546,488.19 for cost settlements claimed on the CMS 64 report was provided to the Department of Health and Human Services (DHHS), Office of Inspector General (OIG). Based on the supporting documentation provided, the refund amount requested in the recommendation should be adjusted accordingly.

We are aware that some of the claims were disallowed but we have not been provided any explanation as to what the OIG disallowed to validate the report's finding. We would like to request details on which cost settlement refunds remained at the amount we claimed on the CMS 64 report and which cost settlements required an FMAP adjustment.

Recommendation 2:
Develop and implement internal controls to ensure that it adequately supports specific-period FMAPs used to calculate the Federal share of collections refunded.

DCH Response:
DCH concurs with the recommendation. DCH will establish a report which identifies all collections by project and cash receipts. The report will allow users the ability to match the cash receipts applied to the related transactions with the appropriate FMAP.

We look forward to working with you and your staff to ensure that DCH complies with all Federal regulations.

Sincerely,

Timothy A. Connell
Chief Financial Officer

Cc: Clyde L. Reese III, Esq., Commissioner
Gerlda Hines