



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

FEB 20 2008

Washington, D.C. 20201

TO: Kerry Weems
Acting Administrator
Centers for Medicare & Medicaid Services

FROM: Daniel R. Levinson *Daniel R. Levinson*
Inspector General

SUBJECT: Medical Assistance Provided by the District of Columbia to Hurricane Katrina Evacuees (A-03-07-00202)

Attached is an advance copy of our final report on medical assistance provided by the District of Columbia to Hurricane Katrina evacuees. We will issue this report to the District of Columbia Department of Health, Medical Assistance Administration (the State agency), within 5 business days. This audit is one of a series of audits of medical assistance provided by host States to Hurricane Katrina evacuees.

Under section 1115 of the Social Security Act, the Centers for Medicare & Medicaid Services (CMS) approved the District of Columbia's request for Medicaid demonstration authority to provide the benefits included in its State plan to eligible Hurricane Katrina evacuees for a maximum of 5 months. CMS limited coverage to evacuees from specified counties and parishes in four States and required that the District verify residency and other eligibility factors to the greatest extent possible. As of March 31, 2007, the State agency had claimed a total of \$246,006 for medical assistance services provided to evacuees from the home States of Louisiana and Mississippi.

The objective of our audit was to determine whether the State agency claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project.

The State agency generally claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project. Of the \$246,006 claimed, \$201,106 was allowable. However, after audit adjustments for minor reporting and calculation errors totaling \$304, the State agency claimed a net total of \$44,900 in unallowable reimbursement. Specifically, the State agency claimed \$45,204 for services provided to 18 applicants after their 5-month eligibility periods had expired and to 3 applicants who did not meet eligibility requirements. Documentation showed that two of the three applicants were residents of a State that was not covered under the demonstration project. There

was no evidence that the State agency had attempted to verify the eligibility of the third applicant.

We recommend that the State agency refund the \$44,900 in unallowable reimbursement and revise its Form CMS-64.9 Waiver reports for Louisiana and Mississippi by our audit adjustment amounts.

In comments on our draft report, the State agency agreed with our recommendation.

This audit was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through e-mail at George.Reeb@oig.hhs.gov or Stephen Virbitsky, Regional Inspector General for Audit Services, Region III, at (215) 861-4470 or through e-mail at Stephen.Virbitsky@oig.hhs.gov. Please refer to report number A-03-07-00202.

Attachment



Office of Audit Services, Region III
Public Ledger Building, Suite 316
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Philadelphia, PA 19106-3499

FEB 21 2008

Report Number: A-03-07-00202

Mr. Robert T. Maruca
Senior Deputy Director
Department of Health
Medical Assistance Administration
825 North Capitol Street NE., Suite 5135
Washington, DC 20002

Dear Mr. Maruca:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Medical Assistance Provided by the District of Columbia to Hurricane Katrina Evacuees." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (215) 861-4470, or contact Bernard Siegel, Audit Manager, at (215) 861-4484 or through e-mail at Bernard.Siegel@oig.hhs.gov. Please refer to report number A-03-07-00202 in all correspondence.

Sincerely,

Stephen Virbitsky
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MEDICAL ASSISTANCE
PROVIDED BY THE
DISTRICT OF COLUMBIA TO
HURRICANE KATRINA EVACUEES**



Daniel R. Levinson
Inspector General

February 2008
A-03-07-00202

Office of Inspector General

<http://oig.hhs.gov>

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The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. Each State administers its Medicaid program in accordance with a State plan approved by the Centers for Medicare & Medicaid Services (CMS).

Section 1115 of the Act permits the Secretary to authorize demonstration projects to promote the objectives of the Medicaid program. Under section 1115, CMS approved the District of Columbia's request for Medicaid demonstration authority to provide the benefits included in its Medicaid State plan to eligible Hurricane Katrina evacuees for a maximum of 5 months ending no later than June 30, 2006. CMS limited coverage under the hurricane-related section 1115 demonstration project to evacuees from specified counties and parishes in four States affected by the hurricane and required that the District verify residency and other eligibility factors to the greatest extent possible.

The District of Columbia claimed expenditures on behalf of evacuees on the quarterly Form CMS-64.9 Waiver, and CMS reimbursed the District for the total amount claimed. Reimbursement consisted of the Federal Medicaid share applicable to the evacuee's home State and the non-Federal share authorized for Federal payment by section 6201 of the Deficit Reduction Act of 2005. As of March 31, 2007, the District of Columbia Department of Health, Medical Assistance Administration (the State agency), had claimed a total of \$246,006 for medical assistance provided to evacuees from Louisiana and Mississippi.

OBJECTIVE

The objective of our audit was to determine whether the State agency claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project.

SUMMARY OF FINDINGS

The State agency generally claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project. Of the \$246,006 claimed, \$201,106 was allowable. However, after audit adjustments for minor reporting and calculation errors totaling \$304, the State agency claimed a net total of \$44,900 in unallowable reimbursement.

- The State agency claimed \$43,050 for services provided to 18 applicants after their 5-month eligibility periods had expired. The State agency had not updated its eligibility file to reflect the expiration dates for these evacuees.

- The State agency claimed \$2,154 for services provided to three applicants who did not meet eligibility requirements. Documentation showed that two of these applicants were residents of a State that was not covered under the hurricane-related section 1115 demonstration. There was no evidence that the State agency had attempted to verify the eligibility of the third applicant. Although the State agency subsequently identified these applicants as ineligible, it did not refund the amounts already reimbursed.

RECOMMENDATION

We recommend that the State agency refund \$44,900 in unallowable reimbursement and revise its Form CMS-64.9 Waiver reports for Louisiana and Mississippi by our audit adjustment amounts.

STATE AGENCY COMMENTS

In comments on our draft report (Appendix B), the State agency agreed with our recommendation.

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INTRODUCTION

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the 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.

The Federal Government pays its share of most types of medical assistance expenditures according to a formula defined in section 1905(b) of the Act. That share is based on the Federal medical assistance percentage for each State, which ranges from 50 to 83 percent.

Section 1115 Hurricane-Related Demonstrations

Section 1115 of the Act permits the Secretary to authorize demonstration projects to promote the objectives of the Medicaid program. Under section 1115, CMS may waive compliance with any of the requirements of section 1902 of the Act and provide Federal matching funds for demonstration expenditures that would not otherwise be included as expenditures under the Medicaid State plan.

In response to Hurricane Katrina, CMS announced that States could apply for section 1115 demonstration projects to ensure the continuity of health care services for hurricane victims. A State with an approved hurricane-related section 1115 demonstration project was eligible under section 6201(a)(1)(A)(i) of the Deficit Reduction Act of 2005 (DRA) for Federal payment of the non-Federal share of medical assistance costs for evacuees receiving medical assistance under Title XIX of the Act.

District of Columbia's Approved Hurricane-Related Section 1115 Demonstration Project

In a letter dated September 28, 2005, CMS approved the District of Columbia's request for a hurricane-related section 1115 demonstration project. The letter and its attached Special Terms and Conditions authorized the District of Columbia Department of Health, Medical Assistance Administration (the State agency), to provide Medicaid coverage to Hurricane Katrina evacuees who were eligible for Medicaid in their home States but displaced by the hurricane and to expedite eligibility for new applicants who met simplified eligibility standards. The State agency could accept applications for eligibility for evacuee status from August 24, 2005, through January 31, 2006. Eligible evacuees could receive benefits for a maximum of 5 months ending no later than June 30, 2006.

CMS limited coverage under the hurricane-related section 1115 demonstration project to evacuees from specified counties and parishes in four States affected by the hurricane and to specified individuals in the evacuee population. The State agency was required to ensure that it would verify, to the greatest extent possible, the circumstances of eligibility, residency, and other eligibility factors for each covered evacuee.

Under the hurricane-related section 1115 demonstration project, the District of Columbia, as the host State, provided Medicaid services to evacuees from the home States of Louisiana and Mississippi. The State agency claimed reimbursement for its expenditures on the quarterly Form CMS-64.9 Waiver, “Medical Assistance Expenditures by Type of Service for the Medical Assistance Program—Expenditures in This Quarter.” The State agency was required to submit a separate form for each home State and to show on the form the total expenditures and the Federal share of the expenditures, calculated using the Federal medical assistance percentage applicable to the home State. CMS reimbursed the State agency for the total expenditures, i.e., the Federal share under the Medicaid program and the non-Federal share authorized for Federal payment by section 6201 of the DRA.

As of March 31, 2007, the State agency had claimed a total of \$246,006 for medical assistance services provided to evacuees.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our audit was to determine whether the State agency claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project.

Scope

Our review covered the \$246,006 that the State agency had claimed for Federal reimbursement as of March 31, 2007, and the 178 applicants who received medical assistance under the hurricane-related section 1115 demonstration. We reviewed the documentation that supported eligibility for a judgmental sample of 53 of the 178 applicants. Accordingly, we did not extrapolate our results to the total amount claimed.

We did not review the eligibility of the 243 applicants whom the State agency had identified as eligible for evacuee status under the hurricane-related section 1115 demonstration project but for whom no claims were submitted.

We limited our review of the State agency’s internal controls to procedures for approving evacuee applications and reporting expenditures on the quarterly Form CMS-64.9 Waiver. We did not verify that approved claims submitted by providers for evacuees included only those services covered by the State plan.

We performed fieldwork at the State agency in the District of Columbia in March 2007.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, CMS's September 2005 approval letter, and the Special Terms and Conditions;
- reviewed the State agency's controls for ensuring that claims paid for Katrina evacuees were in accordance with requirements of the hurricane-related section 1115 demonstration project;
- compared the State agency's Hurricane Katrina-related paid claim database with its eligibility database to determine, for all 178 applicants who received medical assistance, whether claims were submitted only for applicants identified as eligible by the State agency, paid for services provided during the applicants' 5-month eligibility periods, not paid more than once, and limited to services provided on or before June 30, 2006; and
- reviewed the Form CMS-64.9 Waiver reports to determine whether the expenditures claimed agreed with the State agency's paid claim database.

We judgmentally sampled 53 of the 178 applicants by selecting:

- 27 applicants who appeared to have received services for more than the allowable 5 months,
- all 13 applicants who were not included on the State agency's list of eligible applicants but for whom claims were submitted, and
- an additional 13 applicants from the list of eligible applicants.

We reviewed available documentation, including Medicaid applications, to determine whether the documentation showed that the selected applicants were from an emergency area and were otherwise eligible to access Medicaid services under the hurricane-related section 1115 demonstration project. Specifically, we reviewed caseworkers' notes and other documentation in the applicants' case files, including identity and residency information and documentation identifying income levels; medical assistance coverage in the home States; immigration status; and additional current needs, including general assistance and food stamps, based on evacuee status.

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 objective.

FINDINGS AND RECOMMENDATION

The State agency generally claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project. Of the \$246,006 claimed, \$201,106 was allowable. However, after audit adjustments for minor reporting and calculation errors, the State agency claimed a net total of \$44,900 in unallowable reimbursement.¹

- The State agency claimed \$43,050 for services provided to 18 applicants after their 5-month eligibility periods had expired. The State agency had not updated its eligibility file to reflect the expiration dates for these evacuees.
- The State agency claimed \$2,154 for services provided to three applicants who did not meet eligibility requirements. Documentation showed that two of these applicants were residents of a State that was not covered under the hurricane-related section 1115 demonstration. There was no evidence that the State agency had attempted to verify the eligibility of the third applicant. Although the State agency subsequently identified these applicants as ineligible, it did not refund the amounts already reimbursed.

See Appendix A for details, including the allocation of costs between Federal Medicaid funding and Federal funding provided pursuant to the DRA.

SECTION 1115 DEMONSTRATION REQUIREMENTS

The Special Terms and Conditions attached to CMS's September 2005 approval letter limited coverage under the hurricane-related section 1115 demonstration project to evacuees from specified counties and parishes in the emergency areas of Louisiana, Mississippi, Alabama, and Florida. The eligible evacuee population was defined as parents, pregnant women, children under age 19, individuals with disabilities, low-income Medicare recipients, and low-income individuals in need of long-term care with incomes up to and including specified levels. Evacuees who met these requirements were eligible to receive up to 5 months of benefits ending no later than June 30, 2006. The State agency could accept applications for eligibility for evacuee status from August 24, 2005, through January 31, 2006.

The Special Terms and Conditions required that the State agency, "to the greatest extent possible, (1) verify circumstances of eligibility, (2) verify residency and citizenship of the evacuees, and (3) prevent fraud and abuse Additionally, there is a reciprocal obligation for Home/Host States in obtaining necessary information to determine eligibility"

¹The State agency made minor reporting and calculation errors that resulted in a \$304 understatement of claimed costs. As shown in Appendix A, we reduced the total unallowable reimbursement by this amount.

UNALLOWABLE CLAIMS

Expired Eligibility Periods

The State agency claimed a total of \$43,050 for services provided to 18 individuals after their 5-month eligibility periods had expired. State agency personnel informed us that the State eligibility database, maintained by the District of Columbia Department of Human Services, Income Maintenance Administration, coded evacuees differently from other Medicaid beneficiaries. As a result, the State agency failed to include evacuees when it periodically updated eligibility expiration dates in the eligibility database.

Ineligible Applicants

The documentation for three sampled individuals, for whom the State agency claimed reimbursement totaling \$2,154, did not support their eligibility under the hurricane-related section 1115 demonstration project. In addition, the State agency's list of eligible applicants did not include the three individuals.

The applications for two individuals showed that they were residents of Texas, which was not an emergency area covered under the hurricane-related section 1115 demonstration project. Although CMS offered section 1115 demonstration projects to provide continuity of care for Hurricane Rita evacuees, including evacuees from Texas, the District of Columbia did not apply or receive authorization for such a demonstration project. For the third applicant, the State agency's file contained no evidence that the State agency had made any effort to verify the applicant's eligibility.

Subsequently, the State agency identified the three applicants as ineligible and made no further payments for them. However, the State agency did not make adjustments to refund the amounts already reimbursed.

RECOMMENDATION

We recommend that the State agency refund \$44,900 in unallowable reimbursement and revise its Form CMS-64.9 Waiver reports for Louisiana and Mississippi by our audit adjustment amounts.

STATE AGENCY COMMENTS

In comments on our draft report, the State agency agreed with our recommendation. With respect to the first finding, the State agency said that at the time, it believed it was following CMS regulations by extending eligibility until the program expired in June 2006. With respect to the second finding, the State agency said that it would have added evacuees from Texas to its waiver in retrospect and that its first priority was to serve the needs of evacuees, many of whom lacked positive identification.

The State agency's comments are included as Appendix B.

APPENDIXES

**AUDIT ADJUSTMENTS TO AMOUNTS CLAIMED BY
THE DISTRICT OF COLUMBIA**

Louisiana Evacuees

	Total	Federal Medicaid Share	Federal DRA Funding¹
Amount claimed	\$246,006	\$171,835	\$74,171
Audit adjustments:			
Expired eligibility periods	(43,050)	(30,045)	(13,005)
Ineligible evacuees	(2,154)	(1,503)	(651)
Mississippi evacuees erroneously included	(1,511)	(1,054)	(457)
Reporting errors for March, September, and December 2006	304	212	92
Rounding differences	0	(4)	4
Total audit adjustments	(46,411)	(32,394)	(14,017)
Corrected amount	\$199,595	\$139,441	\$60,154

Mississippi Evacuees

	Total	Federal Medicaid Share	Federal DRA Funding
Amount claimed	\$0	\$0	\$0
Audit adjustment:			
Mississippi evacuees erroneously excluded	1,511	1,148	363
Corrected amount	\$1,511	\$1,148	\$363

All Evacuees

	Total	Federal Medicaid Share	Federal DRA Funding
Amount claimed	\$246,006	\$171,835	\$74,171
Total audit adjustments	(44,900)	(31,246)	(13,654)
Corrected amount	\$201,106	\$140,589	\$60,517

¹DRA = Deficit Reduction Act of 2005.

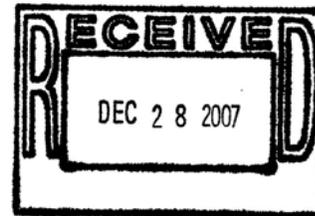
GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health
Medical Assistance Administration



Office of the Senior Deputy Director

December 26, 2007

Mr. Stephen Virbitsky
Regional Inspector General for Audit Services
Department of Health & Human Services
Office of Audit Services, Region III
Public Ledger Building, Suite 316
150 S. Independence Mall West
Philadelphia, PA 19106-3499



Dear Mr. Virbitsky:

The following is the District of Columbia, Department of Health, Medical Assistance Administration's (MAA) response to Report Number A-03-07-00202 entitled "Medical Assistance Provided by the District of Columbia to Katrina Evacuees." However, first it should be stated that the District was one of the leaders welcoming evacuees during a time that was chaotic for them. The District worked with the evacuees in difficult times to provide them basic necessities such as food, shelter, and health care. The District also provided other services including job placement and communications technology to help evacuees communicate with other family members and friends from whom they were separated during the evacuation. These supports helped the evacuees to start the transition process out of their temporary shelter in the DC Armory to alternative local, living situations. Only a small number of Medicaid-eligible evacuees maintained eligibility up to the end of the Demonstration period.

The first finding in the report is MAA claimed \$43,050 for services provided to 18 applicants after their 5-month eligibility period had expired because MAA had not updated the eligibility file to reflect the expiration date for the evacuees. While MAA agrees with the findings, it should be noted that the time MAA believed it was following the CMS regulations around evacuee eligibility and expenditures. MAA was simply following the extension and availability of funds for individuals until the expiration of the federal program in June of 2006. MAA will submit a revised CMS-64.9 waiver report for the amount stated in the report.

The second finding in the report is that MAA claimed \$2,154 for services provided to three applicants who did not meet eligibility requirements. At the time that the individuals were being brought into the District, the number one priority was to serve the needs of the individuals. Many of them had nothing but the clothes they were wearing, and thus positive identification was difficult to find especially for the elderly and individuals with developmental and/or

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December 26, 2007
Page 2

cognitive disabilities. The report states that for one of the three individuals “no evidence that the State agency had made any effort to verify the applicant’s eligibility.” The Income Maintenance Administration, the District agency responsible for enrollment into the Medicaid program, did attempt to verify eligibility, but the individual did not have any documentation because it was lost in the disaster. It is not clear how in this case eligibility could be verified.

The report also stated that the other two individuals were from Texas, but the District did not apply or receive authorization to provide eligibility to individuals from Texas even though CMS was offering eligibility to individuals from Texas. During the time waivers were being submitted, there was often a lack of good information being passed from CMS to the states. The District would have added the population to the waiver in retrospect because of the large number of evacuees who went to Texas first and then moved to other states. When they were in Texas, they may have been reunited with family that was not living in Louisiana or Mississippi at the time of the hurricane. CMS could have done a better job of communicating with states to help identify this scenario and advising state to amend their waivers to cover such individuals. Despite the reasons stated above, MAA will submit a revised CMS-64.9 waiver report for the amount stated in the report.

If you have any questions about MAA’s response to Report Number A-03-07-00202, please contact Mr. John McCarthy, Senior Policy Director, MAA on 202-442-9074.

Sincerely,



Robert T. Maruca
Senior Deputy Director