



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

JUN 23 2008

Report Number: A-07-07-01044

Ms. Deborah E. Scott
Director
Missouri Department of Social Services
Broadway State Office Building
P.O. Box 1527
Jefferson City, MO 65102-1527

Dear Ms. Scott:

Enclosed is the U.S. Department of Health and Human Services, Office of Inspector General (OIG), final report entitled "Review of Missouri Medicare Part D Contributions to the Centers for Medicare & Medicaid Services for 'Full-Duals.'" 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, this report 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 (816) 426-3591, or contact Chris Bresette, Audit Manager, at (816) 426-3591 or through e-mail at Chris.Bresette@oig.hhs.gov. Please refer to report number A-07-07-01044 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick J. Cogley", written in a cursive style.

Patrick J. Cogley
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
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MISSOURI MEDICARE
PART D CONTRIBUTIONS TO
THE CENTERS FOR MEDICARE
& MEDICAID SERVICES FOR
“FULL-DUALS”**



Daniel R. Levinson
Inspector General

June 2008
A-07-07-01044

Office of Inspector General

<http://oig.hhs.gov>

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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

Title I of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 established the Medicare Part D prescription drug benefit. Under Part D, which began January 1, 2006, the Medicare program subsidizes the prescription drug benefit for Medicaid recipients. To defray a portion of Medicare's cost, each State is required to make contributions to the Centers for Medicare & Medicaid Services (CMS) on behalf of the State's recipients who are eligible for both full Medicaid benefits and Medicare (full-duals). CMS automatically enrolls full-duals in the Medicare Part D program and makes payments on their behalf to prescription drug plans (PDP).

Each State is required to submit to CMS a monthly report, referred to as the MMA file, which identifies all of the State's full-duals and any retroactive Medicaid enrollment changes for prior months. CMS uses the MMA file to verify the Medicare eligibility of the reported full-duals and to determine the amount of each State's contribution. CMS subsequently sends each State a report, referred to as the MMA return file, which identifies the individuals determined to be full-duals and the State's required contribution for each full-dual.

In Missouri, the Department of Social Services (Missouri) is required to make monthly contributions to CMS for the State's full-duals. From January through December 2006, Missouri made contributions for 1,704,177 beneficiary-months. (A beneficiary-month represents a payment for one beneficiary for one month.) Additionally, there were 272,598 beneficiary-months for which CMS made payments to PDPs, but Missouri did not make contributions to CMS. We reviewed a statistical sample of 100 of these 272,598 beneficiary-months.

OBJECTIVE

Our objective was to determine whether Missouri made required monthly contributions to CMS for all full-duals from January through December 2006.

SUMMARY OF FINDINGS

For 98 of the 100 sampled beneficiary-months from January through December 2006, Missouri (1) was not required to make contributions to CMS because the beneficiaries were not actually full-duals in the sampled months or were not identified in Missouri's Medicaid eligibility records or (2) made subsequent retroactive contributions to CMS.

However, contrary to Federal requirements, Missouri did not make contributions to CMS for 2 of the 100 sampled beneficiary-months. Specifically, Missouri did not correctly identify either of the 2 beneficiaries as a full-dual on its monthly MMA file. As a result of the discrepancies, Missouri did not make \$216 in contributions to CMS that it should have made.

RECOMMENDATIONS

We recommend that Missouri:

- remit \$216 to the Federal Government on behalf of the two individuals who were not correctly identified as full-duals,
- ensure that required contributions are identified and made for all full-duals, and
- identify and accurately report all full-duals to CMS in the MMA file.

AUDITEE COMMENTS

In written comments on our draft report, Missouri concurred with all of our recommendations. Missouri's written comments are included in their entirety as Appendix B.

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INTRODUCTION

BACKGROUND

Medicare Part D Prescription Drug Benefit

Title I of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 amended Title 18 of the Social Security Act to establish the Medicare Part D prescription drug benefit. The Centers for Medicare & Medicaid Services (CMS), which administers the Medicare and Medicaid programs, contracts with prescription drug plans (PDP) to offer the Medicare Part D benefits to eligible individuals.

Under Part D, which began January 1, 2006, the Medicare program subsidizes the prescription drug benefit for Medicaid recipients. Beneficiaries who are eligible for both full Medicaid benefits and Medicare are considered full-benefit, dually eligible beneficiaries (full-duals). CMS automatically enrolls beneficiaries identified as full-duals in the Medicare Part D program and begins making monthly subsidy payments to PDPs on behalf of the full-duals. CMS's payments to PDPs continue for the entire following year unless the full-dual opts out of Medicare Part D or dies.

States' Contributions for Full-Duals

Section 103 of the MMA requires the 50 States and the District of Columbia to make monthly contributions to CMS to defray a portion of Medicare's cost of providing the Part D drug benefit to full-duals. A State's contribution is determined, in part, by the number of full-duals in the State each month. Each State is required to submit to CMS a monthly report, referred to as the MMA file, which identifies all of the State's full-duals and any retroactive Medicaid enrollment changes for prior months. CMS uses the MMA file to verify the Medicare eligibility of the reported full-duals and to determine the amount of each State's contribution. CMS subsequently sends each State a report, referred to as the MMA return file, which identifies the individuals determined to be full-duals and the amount the State must pay for its portion of the Part D drug benefit.

Missouri Department of Social Services

In Missouri, the Department of Social Services (Missouri) is required to make monthly contributions to CMS for the State's full-duals. From January through September 2006, when the required contribution was \$108 for each full-dual, and from October through December 2006, when the payment was \$109 for each full-dual, Missouri made monthly contributions for 1,704,177 beneficiary-months.¹

¹A beneficiary-month represents a payment for Part D drug coverage for one beneficiary for one month. As we will discuss in the Scope section below, we did not review those instances for which Missouri made a payment and CMS did not make a corresponding monthly payment.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Missouri made required monthly contributions to CMS for all full-duals from January through December 2006.

Scope

Our review covered the period January through December 2006. We performed the following analysis to determine the beneficiary-months to review.

- We compared the full-duals—for whom CMS paid a PDP—to the MMA file.
- We only reviewed those instances of payments from CMS to a PDP for which there were positive payments made (by Missouri to CMS) for the specific month being reviewed.
- We did not review contribution payments that Missouri made on behalf of beneficiaries for whom CMS did not make a corresponding payment to a PDP.
- We also did not review payments that CMS made to PDPs on behalf of beneficiaries who had a state code (on the CMS payment records) indicating that they lived outside the State of Missouri.

We then limited our review to 272,598 beneficiary-months, which represented the difference between the 1,976,775 beneficiary-months for which CMS paid PDPs and the 1,704,177 beneficiary-months for which Missouri paid CMS on behalf of full-duals. (See the Appendix.)

We did not analyze the overall internal control structure of Missouri's operations or financial management because the objective did not require us to do so.

We conducted our fieldwork at Missouri's offices in Jefferson City, Missouri, during September 2007.

Methodology

To accomplish our objective:

- We reviewed applicable Federal and State requirements.
- We discussed, with State officials, the procedures that Missouri followed to report full-duals to CMS, including any changes related to Medicaid eligibility.
- We reviewed Missouri's data used to create the MMA file.

- We reviewed CMS’s systems, including the Medicare Advantage Prescription Drug (MARx) system (to determine the payments that CMS made to the PDPs) and the Medicare Beneficiary Database (to verify PDP enrollment, beneficiary residency, and payment information).
- We selected, from the 272,598 beneficiary-months mentioned above, a statistical sample of 100 beneficiary-months. We analyzed this statistical sample to determine whether Missouri was, for any of these sampled cases, required to make a monthly contribution payment. Specifically, for each of the sampled beneficiary-months, we used Missouri’s Eligibility Verification System and Medicaid Management Information System, to verify Medicaid eligibility in the State of Missouri.
- We provided Missouri officials with details of the results of our review on September 28, 2007.

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 RECOMMENDATIONS

For 98 of the 100 sampled beneficiary-months from January through December 2006, Missouri (1) was not required to make contributions to CMS because the beneficiaries were not actually full-duals in the sampled months or were not identified in Missouri’s Medicaid eligibility records or (2) made subsequent retroactive contributions to CMS.

However, contrary to Federal requirements, Missouri did not make contributions to CMS for 2 of the 100 sampled beneficiary-months. Specifically, Missouri did not correctly identify either of the 2 beneficiaries as a full-dual on its monthly MMA file. As a result of the discrepancies, Missouri did not make \$216 in contributions to CMS that it should have made.

PROGRAM REQUIREMENTS

According to 42 CFR § 423.908, States are required to contribute for Part D drug benefits. The regulations state that “. . . the requirements for State contributions for Part D drug benefits [are] based on full-benefit dual eligible individual drug expenditures.”

The requirements for the States, shown at 42 CFR § 423.910, are as follows:

- (a) General rule. Each of the 50 States and the District of Columbia is required to provide for payment to CMS a phased-down contribution to defray a portion of the Medicare drug expenditures for individuals whose projected Medicaid drug coverage is assumed by Medicare Part D.

(d) State monthly enrollment reporting States must submit an electronic file, in a manner specified by CMS, identifying each full-benefit dual eligible individual enrolled in the State for each month This file will be used by CMS to establish the monthly enrollment for those individuals with Part D drug coverage who are also determined by the State to be eligible for full Medicaid benefits subject to the phased down State contribution payment.

CONTRIBUTIONS TO CENTERS FOR MEDICARE & MEDICAID SERVICES NOT ALWAYS MADE

Contrary to Federal regulations, Missouri did not make contributions to CMS for 2 of the 100 sampled beneficiary-months even though the beneficiaries in question were dual eligible. Missouri did not correctly identify either of the 2 beneficiaries as a full-dual on its monthly MMA file.

For the first beneficiary, Missouri did not enter information showing that the individual was eligible for Medicare into its system. For the other beneficiary, Missouri did not identify the individual as eligible for Medicaid. Thus, Missouri did not classify either of the individuals as full-duals on its MMA file, and Missouri did not include \$216 of contributions on behalf of those individuals in its payment to CMS.

RECOMMENDATIONS

We recommend that Missouri:

- remit \$216 to the Federal Government on behalf of the two individuals who were not correctly identified as full-duals,
- ensure that required contributions are identified and made for all full-duals, and
- identify and accurately report all full-duals to CMS in the MMA file.

AUDITEE COMMENTS

In written comments on our draft report, Missouri concurred with all of our recommendations. Missouri's written comments are included in their entirety as Appendix B.

APPENDIXES

SAMPLING DESIGN, METHODOLOGY, AND ESTIMATES

OBJECTIVE

Our objective was to determine whether Missouri should have made monthly contributions to the Centers for Medicare & Medicaid Services (CMS) for all full-duals from January through December 2006.

POPULATION

The population consisted of 272,598 beneficiary-months, which represented the difference between the 1,976,775 beneficiary-months for which CMS paid prescription drug plans (PDP) and the 1,704,177 beneficiary-months for which Missouri paid CMS on behalf of full-duals for the period January through December 2006.

SAMPLE DESIGN

The audit used a random sample design. We selected the sample population from calendar year 2006 (January through December). We used the Office of Inspector General, Office of Audit Services (OAS), statistical sampling software RAT-STATS to generate the random numbers used to select the sample.

SAMPLE SIZE

The statistical sample consisted of 100 beneficiary-months.

STATISTICAL PROJECTION

No statistical projection of the results was made. Our policy dictates that statistical projections will be made if six or more errors are identified.



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DEPARTMENT OF SOCIAL SERVICES

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June 10, 2008

Patrick J. Cogley
Regional inspector General for Audit Services
Department of Health and Human Services
Region VII
601 East 12th Street, Room 284A
Kansas City, MO 64106

Dear Mr. Cogley:

This is in response to your May 19, 2008 request for comment on the U.S. Department of Health and Human Services, Office of Inspector General's (OIG's) draft report entitled "Review of Missouri Medicare Part D Contributions to the Centers for Medicare & Medicaid Services for 'Full-Duals,' " report number A-07-07-01044. For ease of reference the recommendations have been repeated along with the Department of Social Services' response.

Recommendation: Remit \$216 to the Federal Government on behalf of the two individuals who were not correctly identified as full-duals.

Response: We concur with this recommendation and will work with the Centers for Medicare and Medicaid Services (CMS) to resolve this issue.

Recommendation: Ensure that required contributions are identified and made for all full-duals.

Response: We concur with this recommendation. MO HealthNet Division (MHD) will submit data to CMS to identify all full-duals and will make required contributions.

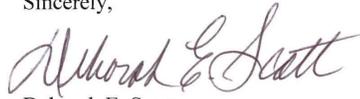
Recommendation: Identify and accurately report all full-duals to CMS in the MMA file.

Response: We concur with this recommendation. MHD has corrected all issues that we are aware of regarding accuracy in reporting full-duals on the MMA tape. If additional areas of concern are found in identifying and reporting full-duals to CMS, MHD will make the necessary corrections.

Patrick J. Cogley
Page Two

Please contact Ian McCaslin, M.D., M.P.H., Director, MO HealthNet Division at 573-751-6922 if you have additional questions.

Sincerely,

A handwritten signature in cursive script that reads "Deborah E. Scott".

Deborah E. Scott
Director

DES:fs