



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region I
John F. Kennedy Federal Building
Room 2425
Boston, MA 02203

April 7, 2011

Report Number: A-01-10-00013

Ms. Mary C. Mayhew
Commissioner
Maine Department of Health and Human Services
221 State Street
State House Station 11
Augusta, Maine 04333

Dear Ms. Mayhew:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of the Maine Department of Health and Human Services Buy-In of Medicare Parts A and B for the Period July 1, 2008, Through December 31, 2009*. 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.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Curtis Roy, Audit Manager, at (617) 565-9281 or through email at curtis.roy@oig.hhs.gov. Please refer to report number A-01-10-00013 in all correspondence.

Sincerely,

/Michael J. Armstrong/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations (CMCHO)
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
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Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE MAINE DEPARTMENT
OF HEALTH AND HUMAN SERVICES
BUY-IN OF MEDICARE PARTS A AND B
FOR THE PERIOD JULY 1, 2008
THROUGH DECEMBER 31, 2009**



Daniel R. Levinson
Inspector General

April 2011
A-01-10-00013

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

“Dual eligibles” are individuals who are eligible for benefits under both Medicare and Medicaid because they are poor and either elderly or disabled. Dual eligibles may be eligible for the Hospital Insurance Program (Medicare Part A) enrollment for hospital care, the Supplementary Medical Insurance Program (Medicare Part B) insurance coverage for physician care, or both Medicare A and B coverage. Medicare premiums are difficult for some beneficiaries to pay. Section 1843 of the Social Security Act addresses this problem by creating an arrangement, known as the “buy-in program,” under which participating States with Medicaid plans may enroll dual eligibles in Medicare Parts A and B and pay the monthly premium on behalf of these beneficiaries.

At the Federal level, Centers for Medicare & Medicaid Services has overall responsibility for administering the buy-in program. In Maine, the Department of Health and Human Services (the State agency) is responsible for administering the State’s buy-in program.

CMS provides the State agency the Summary Accounting Statement (SAS) to indicate the monthly premiums due and the amount for the State to claim Federal share. The State agency is responsible for ensuring the accuracy of the amount claimed when preparing the Form CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program.

Our audit included Part A and B premiums claimed to CMS for the quarters ending September 30, 2008, through December 31, 2009.

OBJECTIVE

Our objective was to determine whether the State agency claimed Federal share for Medicare Part A and B premiums it paid on behalf of Medicaid beneficiaries in accordance with Federal requirements.

SUMMARY OF FINDING

The State agency generally claimed Federal share for Medicare Part A and B premiums it paid on behalf of eligible Medicaid beneficiaries in accordance with Federal requirements. However, the State agency overstated the Federal share by making erroneous accounting entries when preparing the Form CMS-64. As a result, the State agency overstated its Federal claim for Medicare Parts A and B buy-in by a total of \$1,410,989 (\$1,053,544 Federal share).

The excessive Federal share occurred because the State agency did not have adequate internal controls to ensure that only the actual costs incurred for Medicare Part A and B premiums were recorded on the Form CMS-64.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$1,053,544 to the Federal Government and
- strengthen internal controls to ensure that only the actual costs incurred for Part A and B premiums are recorded on the Form CMS-64.

STATE AGENCY COMMENTS

In its written comments on our draft report, the State agency concurred with our findings and recommendations. The State agency's comments are included in their entirety as the Appendix.

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INTRODUCTION

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. 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.

Medicaid's Role in Paying Medicare Part A and B Premiums

“Dual eligibles” are individuals who are eligible for benefits under both Medicare and Medicaid because they are poor and either elderly or disabled. Dual eligibles may be eligible for the Hospital Insurance Program (Medicare Part A) enrollment for hospital care, the Supplementary Medical Insurance Program (Medicare Part B) insurance coverage for physician care, or both Medicare Part A and B coverage. Medicare premiums are difficult for some beneficiaries to pay. Section 1843 of the Act addresses this problem by creating an arrangement, known as the “buy-in program,” under which participating States with Medicaid plans may enroll dual eligibles in Medicare Parts A and B and pay the monthly premium on behalf of these beneficiaries. The State is eligible to receive Federal financial participation (referred to in this report as “Federal share”) through the Medicaid program to assist in paying these Part A and B premiums for certain groups of dual eligibles. States may enter into a State Buy-In Agreement with CMS to enroll eligible beneficiaries in Parts A and B and pay their premiums (buy-in).

Monthly Medicare Part A and B premiums the States pay on behalf of individuals enrolled under State Buy-In Agreements are considered vendor payments and most are reimbursable under Medicaid at the Federal medical assistance percentage (FMAP), which is State specific and calculated pursuant to section 1905(b) of the Act. For the quarters ending September 30, 2008, through December 31, 2009, Maine's FMAP ranged from 63.31 percent to 74.86 percent (including payments for the American Recovery and Reimbursement Act).

Administering the Buy-In Program

At the Federal level, CMS has overall responsibility for administering the buy-in program. CMS maintains a buy-in master file that contains information on beneficiaries eligible for buy-in. It uses the buy-in master file to prepare monthly billing notices for the States for Part A and B premiums and to identify those premiums eligible to be claimed for Federal share.

In Maine, the Department of Health and Human Services (the State agency) is responsible for administering the State's buy-in program. The State is responsible for establishing internal procedures and systems to identify individuals eligible for buy-in, communicating this information to CMS, and responding to actions taken by CMS on individual cases. As part of

this responsibility, the State agency is responsible for the accuracy of the individuals' eligibility codes and is required to update these codes routinely, including the mandatory buy-in eligibility codes, in the CMS master file.

The State agency is also responsible for verifying the accuracy and validity of the information in the buy-in processing systems. If the information in the systems is erroneous, it is the State agency's responsibility to correct, or have CMS correct, the errors. Through the use of eligibility codes, individuals in the buy-in program are grouped into various eligibility categories. These eligibility codes identify individuals in the buy-in program whose premiums are eligible to be claimed for Federal share.

CMS used the State's updates to amend the CMS buy-in master file. Using the master file, CMS provided the State agency the Summary Accounting Statement (SAS) to indicate the monthly premiums due and the amount for the State to claim Federal share.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed Federal share for Medicare Part A and B premiums it paid on behalf of Medicaid beneficiaries in accordance with Federal requirements.

Scope

Our audit included \$147,918,348 of Part A and B premiums paid by the State agency and the \$149,329,337 claimed to CMS for the quarters ending September 31, 2008, through December 31, 2009.

Our review of internal controls was limited to an understanding of the State agency's procedures for the following: identifying and reporting to CMS individuals in eligible buy-in categories, recording and paying Medicare premiums as billed by CMS, and claiming Federal share as applicable.

We conducted fieldwork at the Medicaid agency in Augusta, Maine, from August 2010 through February 2011.

Methodology

To accomplish our audit objective, we:

- reviewed the Federal and State regulations, policies, and procedures related to buy-in, including the *CMS State Medicaid Manual*, *CMS Buy-In Program Manual* and Maine's buy-in agreements;
- reviewed applicable working papers prepared by Maine State Auditors;

- interviewed CMS, State agency, and Maine State Auditor officials;
- obtained and compared CMS’s monthly SAS for Part A and B premiums to the Medicaid Management Information System (MMIS) and Form CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program; and
- reviewed a judgmentally selected sample of 31 beneficiaries whose monthly premiums were reimbursed through the buy-in program to determine whether these beneficiaries were eligible for Federal share.

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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDING AND RECOMMENDATIONS

The State agency generally claimed Federal share for Medicare Part A and B premiums it paid on behalf of eligible Medicaid beneficiaries in accordance with Federal requirements. However, the State agency overstated the Federal share by making erroneous accounting entries when preparing the Form CMS-64. As a result, the State agency overstated its Federal claim for Medicare Parts A and B buy-in by a total of \$1,410,989 (\$1,053,544 Federal share).

FEDERAL MEDICAID REQUIREMENTS

Pursuant to 42 CFR § 430.30, the State agency must submit its actual recorded expenditures as part of its Form CMS-64 to the central office not later than 30 days after the end of each quarter.

Furthermore, pursuant to 42 CFR § 433.32(a), the State agency must “[maintain] an accounting system and supporting fiscal records to assure that claims for Federal funds are in accord with applicable Federal requirements.”

MEDICAID REIMBURSEMENT IN EXCESS OF COST

The State agency was reimbursed Federal share in excess of the actual cost for Medicare Parts A and B buy-in. Specifically, the State agency overstated the Federal share by making erroneous accounting entries when preparing the Form CMS-64. The State agency subsequently claimed reimbursement, through the Form CMS-64, for buy-in program costs that were greater than the costs reported in the SAS. As a result, the State agency overstated its Federal claim by \$1,410,989 (\$1,053,544 Federal share).

According to State agency officials, these overstatements occurred because the State agency did not have adequate internal controls to ensure that only the actual costs incurred for Medicare Part A and B premiums were recorded on the Form CMS-64.

RECOMMENDATIONS

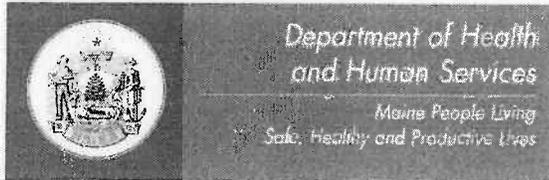
We recommend that the State agency:

- refund \$1,053,544 to the Federal Government and
- strengthen internal controls to ensure that only the actual costs incurred for Part A and B premiums are recorded on the Form CMS-64.

STATE AGENCY COMMENTS

In its written comments on our draft report, the State agency concurred with our findings and recommendations. The State agency's comments are included in their entirety as the Appendix.

APPENDIX



Paul R. LePage, Governor

Mary C. Mayhew, Commissioner

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March 28, 2011

Mr. Michael J. Armstrong, Regional Inspector General for Audit Services
Office of Audit Services, Region I
John F. Kennedy Federal Building, Room 2425
Boston, MA 02203

*Re: Review of the Maine Department of Health & Human Services Buy-In of Medicare
Parts A and B for the Period July 1, 2008 Through December 31, 2009 – Report
Number A-01-10-00013*

Dear Mr. Armstrong:

The Department of Health and Human Services (DHHS) appreciates the opportunity to respond to the above mentioned draft audit report. We offer the following comments in relation to the recommendations on Page 4 of this report.

For your convenience, below we include the summary finding and list each recommendation followed by our response. Each response includes the State's proposed corrective action plan which we believe will bring the State into compliance with Federal requirements.

Finding:

The State agency was reimbursed Federal share in excess of the actual cost for Medicare Part A and B buy-in. Specifically, the State agency overstated the Federal share by making erroneous accounting entries when preparing the Form CMS-64. The State agency subsequently claimed reimbursement, through the Form CMS-64, for buy-in program costs that were greater than the costs reported in the Summary Accounting Statement. As a result, the State agency overstated its Federal claim by \$1,410,989 (\$1,053,544 Federal share).

According to State agency officials, these overstatements occurred because the State agency did not have adequate internal controls to ensure that only the actual costs incurred for Medicare Part A and B premiums were recorded on the Form CMS-64.

Recommendation:

Refund \$1,053,544 to the Federal Government

Page Two

Response:

DHHS agrees with this recommendation. DHHS has made adjustments to correct the \$1,410,989 overstated on its Form CMS-64.

An adjustment on the September 30, 2010 CMS-64 was made for the quarter ended December 31, 2009. \$947,848 was reversed and the correct amount \$70,562 was entered.

The incorrect expense amount, \$533,703 entered on the June 30, 2009 CMS-64, was corrected on the December 31, 2010 CMS-64.

Recommendation:

Strengthen internal controls to ensure that only the actual costs incurred for Part A and B premiums are recorded on the Form CMS-64.

Response:

DHHS agrees with this recommendation. DHHS has implemented policies and procedures to ensure that actual costs incurred for Part A and B premiums are recorded on the Form CMS-64. The Summary Accounting Statement is now reconciled to the appropriate lines on the Form CMS-64.

We appreciate the time spent in Maine by OIG staff reviewing Maine's Buy-In of Medicare Part A and B. We believe this effort will enable us to perform this function more accurately in the future.

Sincerely,



Mary C. Mayhew
Commissioner

MCM/klv