



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

July 21, 2011

Report Number: A-01-11-00004

JudyAnn Bigby, M.D.
Secretary
Executive Office of Health and Human Services
One Ashburton Place
11th Floor
Boston, MA 02108

Dear Dr. Bigby:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of the Massachusetts Executive Office of Health and Human Services Buy-In of Medicare Parts A and B for the Period July 2008 Through December 2009*. We will forward a copy of this report to the HHS action official noted below.

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 direct them to the HHS action official. Please refer to report number A-01-11-00004 in all correspondence.

Sincerely,

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

Enclosure

HHS Action Official:

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Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE MASSACHUSETTS
EXECUTIVE OFFICE OF HEALTH AND
HUMAN SERVICES BUY-IN OF
MEDICARE PARTS A AND B FOR THE
PERIOD JULY 2008 THROUGH
DECEMBER 2009**



Daniel R. Levinson
Inspector General

July 2011
A-01-11-00004

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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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.

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, however, 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, the Centers for Medicare & Medicaid Services (CMS) has overall responsibility for administering the buy-in program. In Massachusetts, the Executive Office of Health and Human Services (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 2008 through December 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.

RESULTS OF REVIEW

The State agency claimed Federal share for Medicare Part A and B premiums it paid on behalf of eligible Medicaid beneficiaries in accordance with Federal requirements. For example, there was no variance between the SAS, payments per the Medicaid Management Information System, and the expenditures reported on the Form CMS-64. Accordingly, this report contains no recommendations.

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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 (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 2008 through December 2009, Massachusetts' FMAP ranged from 50 percent to 100 percent.

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 Massachusetts, the Executive Office of Health and Human Services (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 \$513,461,757 of Part A and B premiums paid by the State agency and claimed to CMS for the quarters ending September 2008 through December 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 Massachusetts from March through June 2011.

Methodology

To accomplish our audit objective, we:

- reviewed the Federal and State regulations, policies, and procedures related to buy-in, including the CMS-approved State plan, *CMS Buy-In Program Manual*, and Massachusetts' buy-in agreements;
- interviewed CMS, Massachusetts State Auditors, and State agency 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 20 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.

RESULTS OF REVIEW

The State agency claimed Federal share for Medicare Part A and B premiums it paid on behalf of eligible Medicaid beneficiaries in accordance with Federal requirements. For example, there was no variance between the SAS, payments per the Medicaid Management Information System, and the expenditures reported on the Form CMS-64. Accordingly, this report contains no recommendations.