

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NEW JERSEY'S MEDICAID
EXPENDITURE CLAIM WAS
SUPPORTED BY ACTUAL RECORDED
EXPENDITURES**

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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 plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, provided fiscal relief to States to protect and maintain State Medicaid programs in a period of economic downturn. For the recession adjustment period (October 1, 2008, through December 31, 2010), the Recovery Act provided an estimated \$87 billion in additional Medicaid funding based on temporary increases in States' Federal medical assistance percentage (FMAP).¹ Section 5000 of the Recovery Act provided for these increases to help avert cuts in health care payment rates, benefits, or services and to prevent changes to income eligibility requirements that would reduce the number of individuals eligible for Medicaid. Section 5001 of the Recovery Act provided that a State's increased FMAP during the recession adjustment period would be no less than its 2008 FMAP increased by 6.2 percentage points and that a State may receive an increase greater than 6.2 percentage points based on increases to its average unemployment rate.

New Jersey Medicaid Program

In New Jersey, the Department of Human Services (the State agency) administers the Medicaid program. The State agency uses the Medicaid Management Information System, a computerized payment and information system, to process and pay Medicaid claims. For the quarter ended December 31, 2008, the FMAP in New Jersey was 58.78 percent.²

Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program

The State agency claims Medicaid expenditures on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS-64). The Form CMS-64 is the accounting statement that the State agency, pursuant to 42 CFR § 430.30(c), must submit to CMS within 30 days after the end of each quarter. This form shows Medicaid expenditures for

¹ The Education, Jobs, and Medicaid Assistance Act (P.L. No. 111-226) extended the recession adjustment period for the increased FMAP through June 30, 2011.

² This percentage included a temporary increase of 8.78 percent due to the Recovery Act.

the quarter being reported and any prior-period adjustments. It also accounts for any overpayments, underpayments, and refunds received by the State agency.

Pursuant to 42 CFR § 430.30(c), and the CMS *State Medicaid Manual* § 2005.2, the amounts reported on the Form CMS-64 and its attachments must represent actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and which is available at the time the claim is filed. Further, claims developed on the basis of estimates are not allowable.

Oversight of Quarterly Medicaid Statement of Expenditures

The CMS regional office conducts quarterly reviews of the Form CMS-64. During these reviews, CMS regional office staff members review the accounting records that the State agency used to support the Form CMS-64 and perform additional procedures in accordance with the CMS *Financial Review Guide for the Quarterly Medicaid Statement of Expenditures*.

OBJECTIVE, SCOPE, METHODOLOGY

Objective

Our objective was to determine whether the State agency's claim for Federal reimbursement of Medicaid expenditures was adequately supported by actual recorded expenditures.

Scope

The State agency claimed Medicaid expenditures totaling \$2.2 billion (\$1.3 billion Federal share) for the quarter ended December 31, 2008. Our review covered 9 line items³ on the Form CMS-64 totaling \$1,679,873,135 (\$985,929,926 Federal share), or 77 percent of the State agency's claimed expenditures for the quarter.

Our objective did not require a review of the overall internal control structure of the State agency. Therefore, we limited our review to the State agency's procedures for accounting for, documenting, and claiming Medicaid expenditures for the three selected lines containing possible duplicate claims.

We conducted fieldwork at the State agency's offices in Mercerville, New Jersey.

³ The nine line items were: (1) Inpatient Hospital Services—Regular Payments, (2) Nursing Facilities Services, (3) Intermediate Care Facility Services—Mentally Retarded: Public Providers, (4) Outpatient Hospital Services, (5) Prescribed Drugs, (6) Clinic Services, (7) Medicaid Health Insurance Payments: Managed Care, and (8) Personal Care Services, (9) Other Care Services.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations;
- interviewed CMS personnel responsible for monitoring the Form CMS-64 to gain an understanding of the process for submitting the Form CMS-64;
- obtained from CMS the Form CMS-64 submitted by the State agency for the quarter ended December 31, 2008;
- interviewed State agency officials to gain an understanding of State agency policies and procedures for accounting for, documenting, and reporting Medicaid expenditures on the Form CMS-64;
- gained an understanding of the systems used by the State agency for reporting Medicaid expenditures on the Form CMS-64;
- verified that the State agency applied proper FMAPs for current expenditures and adjustments;
- reconciled Medicaid expenditures claimed on the Form CMS-64 totaling \$2.2 billion (\$1.3 billion Federal share) to the State agency's accounting records;
- reviewed supporting documentation for 9 line items on the Form CMS-64 totaling \$1,679,873,135 (\$985,929,926 Federal share);
- selected a stratified random sample of 60 claims each for 3 of the 9 line items to test for duplicate claims;⁴ and
- discussed our results with 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 finding and conclusion based on our audit objectives.

⁴ We separated the sampling frame into the following three strata: Stratum 1 - Line 6 Outpatient Hospital Services, 2,532 paid claims totaling \$299,065 (\$175,790 Federal share); Stratum 2 - Line 7 Prescribed Drugs, 450 paid claims totaling \$51,337 (\$30,176 Federal share); and Stratum 3 - Line 29 Other Care Services, 394,900 paid claims totaling \$7,734,649 (\$4,546,427 Federal share).

RESULTS OF AUDIT

The State agency's claim for Federal reimbursement of Medicaid expenditures on the Form CMS-64 was adequately supported by actual recorded expenditures. Therefore, we are making no recommendations to the State agency.