



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

April 4, 2011

TO: Donald M. Berwick, M.D.
Administrator
Centers for Medicare & Medicaid Services

FROM: /George M. Reeb/
Acting Deputy Inspector General for Audit Services

SUBJECT: Review of the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program in Puerto Rico for the Quarter Ended September 30, 2009 (A-02-10-01038)

Attached, for your information, is an advance copy of our final report on the quarterly Medicaid statement of expenditures for the Medical Assistance Program in Puerto Rico for the quarter ended September 30, 2009. We will issue this report to the Puerto Rico Department of Health within 5 business days.

If you have any questions or comments about this report, please do not hesitate to contact me at (410) 786-7104 or through email at George.Reeb@oig.hhs.gov, or James P. Edert, Regional Inspector General for Audit Services, Region II, at (212) 264-4620 or through email at James.Edert@oig.hhs.gov. Please refer to report number A-02-10-01038.

Attachment



Office of Audit Services
Jacob Javits Federal Building
26 Federal Plaza, Room 3900
New York, NY 10278

April 7, 2011

Report Number: A-02-10-01038

Lorenzo González Feliciano, M.D.
Secretary
Puerto Rico Department of Health
P.O. Box 70184
San Juan, PR 00936-8184

Dear Dr. González Feliciano:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program in Puerto Rico for the Quarter Ended September 30, 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 the 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-02-10-01038 in all correspondence.

Sincerely,

/James P. Edert/
Regional Inspector General
for Audit Services

Enclosure

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, IL 60601

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE QUARTERLY
MEDICAID STATEMENT OF
EXPENDITURES FOR THE MEDICAL
ASSISTANCE PROGRAM IN PUERTO RICO
FOR THE QUARTER ENDED
SEPTEMBER 30, 2009**



Daniel R. Levinson
Inspector General

April 2011
A-02-10-01038

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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The Office of Audit Services (OAS) provides 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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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

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.

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.

Puerto Rico Medicaid Program

In the Commonwealth of Puerto Rico, the Department of Health (DOH) administers the Medicaid program. Since 1993, DOH has contracted with the Puerto Rico Health Insurance Administration (PRHIA) to operate its Medicaid program as a managed care program. PRHIA contracts with managed care organizations (MCO) to provide all health services and uses Medicaid funds to reimburse MCOs based on a capitated rate.

Pursuant to the Act, the FMAP for Puerto Rico is set at 50 percent. Pursuant to 42 U.S.C. § 1308(a), Federal Medicaid funding in Puerto Rico and U.S. territories is subject to a statutory cap, which is increased annually by the percentage increase in the medical care component of the Consumer Price Index for all urban consumers. The Federal Government matches every Medicaid dollar spent by DOH up to the cap, but expenditures above the cap are not matched.

Pursuant to sections 5001(b) and (d) of the Recovery Act, during the recession adjustment period, Puerto Rico could choose either (1) an increased FMAP that would be no less than its 2008 FMAP increased by 6.2 percentage points plus an additional 15-percent increase in the annual cap or (2) a 30-percent increase in the annual cap. DOH elected to receive a 30-percent

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.

increase in the annual cap. As a result of the increased Recovery Act funding, Puerto Rico's annual cap for the recession adjustment period was increased by \$81,720,000.

Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program

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

Pursuant to 42 CFR § 430.30(c) and the CMS *State Medicaid Manual*, § 2500.2, 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 DOH 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, AND METHODOLOGY

Objective

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

Scope

DOH claimed Medicaid expenditures totaling \$294.4 million (\$152.5 million Federal share) for the quarter ended September 30, 2009. Our review covered one line item on the Form CMS-64 totaling \$239.6 million (\$119.8 million Federal share), or 81 percent of DOH's claimed expenditures for the quarter. Our objective did not require a review of the overall internal control structure of DOH. Therefore, we limited our review to DOH's procedures for accounting for, documenting, and claiming Medicaid expenditures for the one line item.

We conducted fieldwork at DOH's offices in San Juan, Puerto Rico, from August through October 2010.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and the State plan;
- 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 DOH for the quarter ended September 30, 2009;
- interviewed DOH officials to gain an understanding of DOH policies and procedures for accounting for, documenting, and reporting Medicaid expenditures on the Form CMS-64;
- gained an understanding of the systems used by DOH for reporting Medicaid expenditures on the Form CMS-64;
- reconciled Medicaid expenditures claimed on the Form CMS-64 totaling \$239.6 million (\$119.8 million Federal share) to DOH's accounting records for one line item that made up 81 percent of DOH's total claim; and
- discussed our results with DOH 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 findings and conclusions based on our audit objective.

RESULTS OF AUDIT

DOH'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 DOH.