

## Report in Brief

Date: March 2018

Report No. A-02-15-01014

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

New York established a health insurance marketplace under the provisions of the Patient Protection and Affordable Care Act to allow individuals and small businesses to shop for health insurance. The New York marketplace provides eligibility determination and enrollment services for both private health insurance plans offered through the marketplace and its State-based public health care programs: Medicaid and the Children's Health Insurance Program (CHIP).

New York amended an existing contract with Maximus, Inc., to expand a centralized State-wide Medicaid and CHIP enrollment center to include marketplace customer services to New Yorkers seeking to enroll in a qualified health plan. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the Medicaid and CHIP programs.

This review is related to a prior review of grants awarded to New York for the establishment of its marketplace.

Our objective was to determine whether New York followed Federal requirements in claiming Maximus contract costs to Medicaid and CHIP.

### How OIG Did This Review

We reviewed \$4.4 million in Federal reimbursement for selected contract costs that New York claimed to Medicaid and CHIP for the period June 2012 through April 2014.

## New York Did Not Comply With Federal Grant Requirements for Claiming Marketplace Contract Costs to Medicaid and the Children's Health Insurance Program

### What OIG Found

New York did not always follow Federal requirements for claiming Maximus contract costs to Medicaid and CHIP. Specifically, New York claimed unallowable costs totaling as much as \$954,521 (as much as \$852,992 in unallowable profit fees and \$101,529 in unallowable general and administrative costs and related profit fees).

This occurred because New York did not establish a basis for the profit fee rate with Maximus at the beginning of the contract and did not require Maximus to always use its final cost rate for general and administrative costs. Further, New York did not require Maximus to retroactively adjust the calculation of its profit fee and general and administrative costs by removing project costs that should not have been subject to these charges.

### What OIG Recommends and New York's Comments

We recommend that New York (1) refund to CMS \$852,992 in unallowable profit fees or work with CMS to determine the appropriate amount that should have been claimed to Medicaid and CHIP and (2) refund to CMS \$101,529 in unallowable general and administrative costs and related profit fees.

In written comments on our draft report, New York disagreed with our recommendations. Specifically, New York stated that the fact that different contract terms were negotiated for a subsequent period did not result in unallowable profit fees and general and administrative costs in prior periods.

After reviewing New York's comments, we maintain that our findings and recommendations are valid. New York's original contract terms with Maximus did not specify a profit fee rate or what such a rate should be based on. Therefore, New York has no basis to establish that the profit fee costs were reasonable, as required by Federal regulations. Further, Maximus' final general and administrative cost rate was not applied for the period October 2012 through September 2013, as required by Federal regulations.