



FEB - 7 2008

**TO:** Kerry Weems  
Acting Administrator  
Centers for Medicare & Medicaid Services

**FROM:** Daniel R. Levinson *Daniel R. Levinson*  
Inspector General

**SUBJECT:** Medical Assistance Provided by Delaware to Hurricane Katrina Evacuees  
(A-03-07-00201)

Attached is an advance copy of our final report on medical assistance provided by Delaware to Hurricane Katrina evacuees. We will issue this report to the Delaware Health and Social Services office, Division of Medicaid and Medical Assistance (the State agency), within 5 business days. This audit is one of a series of audits of medical assistance provided by host States to Hurricane Katrina evacuees.

Under section 1115 of the Social Security Act, the Centers for Medicare & Medicaid Services (CMS) approved Delaware's request for Medicaid demonstration authority to provide the benefits included in its State plan to eligible Hurricane Katrina evacuees for a specified period. CMS limited coverage to evacuees from specified counties and parishes in four States. Although Delaware was allowed to rely on evacuees' self-attestations of eligibility, it was required to verify residency and other eligibility factors to the greatest extent possible. As of March 31, 2007, the State agency had claimed a total of \$173,436 for medical assistance services provided to evacuees from the home States of Louisiana and Mississippi.

The objective of our audit was to determine whether the State agency claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project.

The State agency generally claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project. Of the \$173,436 claimed, \$164,145 was allowable. However, after audit adjustments for minor reporting and calculation errors totaling \$31, the State agency claimed a net total of \$9,291 in unallowable reimbursement. Specifically, we found no evidence that three applicants with claims of \$9,322 met the demonstration project's displacement requirements. The State agency determined that these applicants were eligible because they identified themselves as from the

hurricane area, but the State agency had no documentation or verification from the home State that the applicants' displacement status was valid.

We recommend that the State agency refund the \$9,291 in unallowable reimbursement and revise its Form CMS-64.9 Waiver reports for Louisiana and Mississippi by our audit adjustment amounts.

In comments on our draft report, the State agency said that it could not refute our finding. However, the State agency said that its eligibility determinations for the three individuals in question were in keeping with the spirit of the waiver and stood by those determinations. We maintain that our recommendation is valid.

This audit was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through e-mail at [George.Reeb@oig.hhs.gov](mailto:George.Reeb@oig.hhs.gov) or Stephen Virbitsky, Regional Inspector General for Audit Services, Region III, at (215) 861-4470 or through e-mail at [Stephen.Virbitsky@oig.hhs.gov](mailto:Stephen.Virbitsky@oig.hhs.gov). Please refer to report number A-03-07-00201.

Attachment



FEB 11 2008

Office of Audit Services, Region III  
Public Ledger Building, Suite 316  
150 S. Independence Mall West  
Philadelphia, PA 19106-3499

Report Number: A-03-07-00201

Mr. Harry Hill  
Director  
Division of Medicaid and Medical Assistance  
Delaware Health and Social Services  
P.O Box 906  
New Castle, Delaware 19720

Dear Mr. Hill:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Medical Assistance Provided by Delaware to Hurricane Katrina Evacuees." 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (215) 861-4470, or contact Bernard Siegel, Audit Manager, at (215) 861-4484 or through e-mail at [Bernard.Siegel@oig.hhs.gov](mailto:Bernard.Siegel@oig.hhs.gov). Please refer to report number A-03-07-00201 in all correspondence.

Sincerely,

Stephen Virbitsky  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to 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, Illinois 60601

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**MEDICAL ASSISTANCE  
PROVIDED BY DELAWARE TO  
HURRICANE KATRINA EVACUEES**



Daniel R. Levinson  
Inspector General

February 2008  
A-03-07-00201

# ***Office of Inspector General***

<http://oig.hhs.gov>

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

## **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**

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. Each State administers its Medicaid program in accordance with a State plan approved by the Centers for Medicare & Medicaid Services (CMS).

Section 1115 of the Act permits the Secretary to authorize demonstration projects to promote the objectives of the Medicaid program. Under section 1115, CMS approved Delaware's request for Medicaid demonstration authority to provide the benefits included in its Medicaid State plan to eligible Hurricane Katrina evacuees for a maximum of 5 months ending no later than June 30, 2006. CMS limited coverage under the hurricane-related section 1115 demonstration project to evacuees from specified counties and parishes in four States affected by the hurricane. Although Delaware was allowed to rely on evacuees' self-attestations of eligibility, it was required to verify residency and other eligibility factors to the greatest extent possible.

Delaware claimed expenditures on behalf of evacuees on the quarterly Form CMS-64.9 Waiver, and CMS reimbursed Delaware for the total amount claimed. Reimbursement consisted of the Federal Medicaid share applicable to the evacuee's home State and the non-Federal share authorized for Federal payment by section 6201 of the Deficit Reduction Act of 2005. As of March 31, 2007, the Delaware Health and Social Services office, Division of Medicaid and Medical Assistance (the State agency), had claimed a total of \$173,436 for medical assistance services provided to evacuees from Louisiana and Mississippi.

### **OBJECTIVE**

The objective of our audit was to determine whether the State agency claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project.

### **SUMMARY OF FINDING**

The State agency generally claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project. Of the \$173,436 claimed, \$164,145 was allowable. However, after audit adjustments for minor reporting and calculation errors totaling \$31, the State agency claimed a net total of \$9,291 in unallowable reimbursement. Specifically, we found no evidence that three applicants with claims of \$9,322 met the demonstration project's displacement requirements. The State agency determined that these applicants were eligible because they identified themselves as from the hurricane area, but the State agency had no documentation or verification from the home State that the applicants' displacement status was valid.

## **RECOMMENDATION**

We recommend that the State agency refund the \$9,291 in unallowable reimbursement and revise its Form CMS-64.9 Waiver reports for Louisiana and Mississippi by our audit adjustment amounts.

## **STATE AGENCY COMMENTS**

In comments on our draft report (Appendix B), the State agency said that it could not refute our finding. However, the State agency said that its eligibility determinations for the three individuals in question were in keeping with the spirit of the waiver and stood by those determinations.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

We found no evidence during our review that the three individuals met displacement requirements or that the State agency had verified or attempted to verify residency with the home State, and the State agency provided no such evidence in its comments. Consequently, we maintain that our recommendation is valid.

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

The Federal Government pays its share of most types of medical assistance expenditures according to a formula defined in section 1905(b) of the Act. That share is based on the Federal medical assistance percentage for each State, which ranges from 50 to 83 percent.

#### **Section 1115 Hurricane-Related Demonstrations**

Section 1115 of the Act permits the Secretary to authorize demonstration projects to promote the objectives of the Medicaid program. Under section 1115, CMS may waive compliance with any of the requirements of section 1902 of the Act and provide Federal matching funds for demonstration expenditures that would not otherwise be included as expenditures under the Medicaid State plan.

In response to Hurricane Katrina, CMS announced that States could apply for section 1115 demonstration projects to ensure the continuity of health care services for hurricane victims. A State with an approved hurricane-related section 1115 demonstration project was eligible under section 6201(a)(1)(A)(i) of the Deficit Reduction Act of 2005 (DRA) for Federal payment of the non-Federal share of medical assistance costs for evacuees receiving medical assistance under Title XIX of the Act.

#### **Delaware's Approved Hurricane-Related Section 1115 Demonstration Project**

In a letter dated March 6, 2006, CMS approved Delaware's request for a hurricane-related section 1115 demonstration project. The letter and its attached Special Terms and Conditions authorized the Delaware Health and Social Services office, Division of Medicaid and Medical Assistance (the State agency), to provide Medicaid coverage to Hurricane Katrina evacuees who were enrolled in Medicaid in their home States but displaced by the hurricane and to expedite eligibility for new applicants who met simplified eligibility standards. The State agency could accept applications for eligibility for evacuee status from August 24, 2005, through January 31, 2006. Eligible evacuees could receive benefits for a maximum of 5 months ending no later than June 30, 2006.

CMS limited coverage under the hurricane-related section 1115 demonstration project to evacuees from specified counties and parishes in four States affected by the hurricane and to specified individuals in the evacuee population. The State agency was required to ensure that it would verify, to the greatest extent possible, the circumstances of eligibility, residency, and other eligibility factors for each covered evacuee.

Under the hurricane-related section 1115 demonstration project, Delaware, as the host State, provided Medicaid services to evacuees from the home States of Louisiana and Mississippi. The State agency claimed reimbursement for its expenditures on the quarterly Form CMS-64.9 Waiver, “Medical Assistance Expenditures by Type of Service for the Medical Assistance Program—Expenditures in This Quarter.” The State agency was required to submit a separate form for each home State and to show on the form the total expenditures and the Federal share of the expenditures, calculated using the Federal medical assistance percentage applicable to the home State. CMS reimbursed the State agency for the total expenditures, i.e., the Federal share under the Medicaid program and the non-Federal share authorized for Federal payment by section 6201 of the DRA.

As of March 31, 2007, the State agency had claimed a total of \$173,436 for medical assistance services provided to evacuees.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

The objective of our audit was to determine whether the State agency claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project.

### **Scope**

Our review covered the \$173,436 that the State agency had claimed for Federal reimbursement as of March 31, 2007, and the 220 applicants whom the State agency had identified as eligible for evacuee status under the hurricane-related section 1115 demonstration project. We reviewed the documentation that supported eligibility for a judgmental sample of 52 of the 220 applicants. Accordingly, we did not extrapolate our results to the total amount claimed.

We limited our review of the State agency’s internal controls to procedures for approving evacuee applications and reporting expenditures on the quarterly Form CMS-64.9 Waiver. We did not verify that approved claims submitted by providers for evacuees included only those services covered by the State plan.

We performed fieldwork at the State agency in New Castle, Delaware, in February 2007.

## Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, CMS’s March 2006 approval letter, and the Special Terms and Conditions;
- reviewed the State agency’s controls for ensuring that claims paid for Katrina evacuees were in accordance with requirements of the hurricane-related section 1115 demonstration project;
- compared the State agency’s Hurricane Katrina-related paid claim database with its eligibility database to determine, for all 220 applicants identified as eligible by the State agency, whether claims were submitted only for those applicants, paid for services provided during the applicants’ 5-month eligibility periods, not paid more than once, and limited to services provided on or before June 30, 2006; and
- reviewed the Form CMS-64.9 Waiver reports to determine whether the expenditures claimed agreed with the State agency’s paid claim database.

The State agency maintained documentation, including Medicaid applications, for the 220 applicants identified as eligible evacuees in 100 family case folders. We selected 52 of these applicants by sampling every third case folder and determined whether the documentation showed that the selected applicants were from an emergency area and were otherwise eligible to access Medicaid services under the hurricane-related section 1115 demonstration project. Specifically, we reviewed caseworkers’ notes and other documentation in the case folders, including identity and residency information and documentation or attestations identifying income levels; medical assistance coverage in the home States; immigration status; and additional current needs, including general assistance and food stamps, based on evacuee status.

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 objective.

## FINDING AND RECOMMENDATION

The State agency generally claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project. Of the \$173,436 claimed, \$164,145 was allowable. However, after audit adjustments for minor reporting and calculation errors, the State agency claimed a net total of \$9,291 in unallowable reimbursement.<sup>1</sup> Specifically, we found no evidence that three applicants with claims of \$9,322

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<sup>1</sup>The State made minor reporting and calculation errors that resulted in a \$31 understatement of claimed costs. As shown in Appendix A, we reduced the total unallowable reimbursement by this amount.

met the demonstration project's displacement requirements. The State agency determined that these applicants were eligible because they identified themselves as from the hurricane area, but the State agency had no documentation or verification from the home State that the applicants' displacement status was valid.

See Appendix A for details, including the allocation of costs between Federal Medicaid funding and Federal funding provided pursuant to the DRA.

## **SECTION 1115 DEMONSTRATION REQUIREMENTS**

The Special Terms and Conditions attached to CMS's March 2006 approval letter limited coverage under the hurricane-related section 1115 demonstration project to evacuees from specified counties and parishes in the emergency areas of Louisiana, Mississippi, Alabama, and Florida. The eligible evacuee population was defined as parents, pregnant women, children under age 19, individuals with disabilities, low-income Medicare recipients, and low-income individuals in need of long-term care with incomes up to and including specified levels. Evacuees who met these requirements were eligible to receive up to 5 months of benefits ending no later than June 30, 2006. The State agency could accept applications for eligibility for evacuee status from August 24, 2005, through January 31, 2006.

The Special Terms and Conditions allowed the State agency to rely on evacuees' "self-attestation of displacement, income, and immigration status, but evacuees must be required to cooperate in demonstrating evacuee and eligibility status. Delaware may apply or waive the Delaware resource test criteria applicable to the applicant's eligibility category." The Special Terms and Conditions also required that the State agency, "to the greatest extent possible, (1) verify circumstances of eligibility, (2) verify residency and citizenship of the evacuees, and (3) prevent fraud and abuse . . . . Additionally, there is a reciprocal obligation for Home/Host States in obtaining necessary information to determine eligibility . . . ."

## **CLAIMS FOR INELIGIBLE APPLICANTS**

The documentation for three individuals in our sample, for whom the State agency claimed reimbursement totaling \$9,322, did not support their eligibility under the hurricane-related section 1115 demonstration project. The State agency deemed these applicants as eligible evacuees based on their self-attestations. However, the applications and other information in the case folders contained no home address; no documentation, such as a driver's license or other photo identification, evidencing displacement from an emergency area; and no evidence that the State agency had tried to verify residency and displacement status with the home State. Additionally, we were unable to verify the Louisiana or Mississippi address provided by each of these applicants. The State agency could not provide additional evidence of the three individuals' evacuee status and agreed with our conclusion that they were not eligible under the hurricane-related section 1115 demonstration project.

## **RECOMMENDATION**

We recommend that the State agency refund the \$9,291 in unallowable reimbursement and revise its Form CMS-64.9 Waiver reports for Louisiana and Mississippi by our audit adjustment amounts.

## **STATE AGENCY COMMENTS**

In comments on our draft report, the State agency said that it could not refute our finding that there was insufficient verifiable documentation to support determinations of eligibility under the waiver for the three individuals in question. However, the State agency said that its determinations were in keeping with the spirit of the waiver and stood by those determinations.

The State agency's comments are included as Appendix B.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

We found no evidence during our review that the three individuals met displacement requirements or that the State agency had verified or attempted to verify residency with the home State, and the State agency provided no such evidence in its comments. Consequently, we maintain that our recommendation is valid.

# **APPENDIXES**

## AUDIT ADJUSTMENTS TO AMOUNTS CLAIMED BY DELAWARE

## Louisiana Evacuees

	Total	Federal Medicaid Share	Federal DRA Funding <sup>1</sup>
Amount claimed	\$140,223	\$97,870	\$42,353
Audit adjustments:			
Evacuees not eligible	(9,322)	(6,506)	(2,816)
Rounding differences	1	(2)	3
Total audit adjustments	(9,321)	(6,508)	(2,813)
<b>Corrected amount</b>	<b>\$130,902</b>	<b>\$91,362</b>	<b>\$39,540</b>

## Mississippi Evacuees

	Total	Federal Medicaid Share	Federal DRA Funding
Amount claimed	\$33,213	\$25,241	\$7,972
Audit adjustments:			
Unreported claim for December 2006	28	22	6
Rounding differences	2	2	0
Total audit adjustments	30	24	6
<b>Corrected amount</b>	<b>\$33,243</b>	<b>\$25,265</b>	<b>\$7,978</b>

## All Evacuees

	Total	Federal Medicaid Share	Federal DRA Funding
Amount claimed	\$173,436	\$123,111	\$50,325
Audit adjustments:			
Evacuees not eligible	(9,322)	(6,506)	(2,816)
Unreported claim for December 2006	28	22	6
Rounding differences	3	0	3
Total audit adjustments	(9,291)	(6,484)	(2,807)
<b>Corrected amount</b>	<b>\$164,145</b>	<b>\$116,627</b>	<b>\$47,518</b>

<sup>1</sup>DRA = Deficit Reduction Act of 2005.

**DELAWARE HEALTH  
AND SOCIAL SERVICES**DIVISION OF  
MEDICAID & MEDICAL ASSISTANCE

TELEPHONE: (302) 255-9500

November 28, 2007

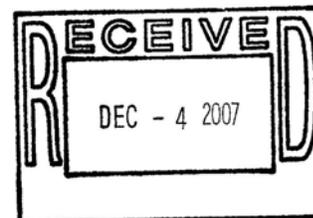
Mr. Stephen Virbitsky  
Regional Inspector General for Audit Services  
Office of Audit Services, Region III  
Public Ledger Building, Suite 316  
150 S. Independence Mall West  
Philadelphia, PA 19106-3499

Dear Mr. Virbitsky,

The following is in response to your letter dated October 29, 2007 regarding an audit your agency performed on Delaware's 1115 waiver to provide medical assistance to victims of Hurricane Katrina by expediting and simplifying eligibility standards.

In total, Delaware claimed \$173,436 FFP under the waiver for 220 Gulf Coast Survivors for medical services received over a 5 month period. The OIG is challenging claims totaling \$9,291 for three clients for whom they determined that Delaware's expedited eligibility requirements did not meet the requirements under the waiver terms and conditions.

Hurricane Katrina struck the Gulf Coast region of the United States on August 29, 2005. It is widely considered one of the most horrific and costly natural disasters to occur in the United States in terms of both loss of property and loss of human life. The displacement of individuals from their normal environment was unprecedented in this country. Recognizing the magnitude of this event and its aftermath, CMS responded by providing state Medicaid agencies with the ability to use waiver authority to expedite and simplify eligibility processes for affected individuals from the Gulf Coast region who sought refuge in their state. CMS further recognized that many of these individuals would arrive with little more than the clothing on their back and allowed states to rely on evacuees' "self-attestation of displacement, income, and immigration status", while still requiring states to "to the greatest extent possible, (1) verify circumstances of eligibility, (2) verify residency and citizenship of the evacuees, and (3) prevent fraud and abuse."

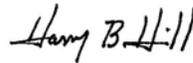


Mr. Stephen Virbitsky Letter  
Page Two  
November 28, 2007

The first client applied for benefits under the Katrina Waiver in Delaware on September 16, 2005. This allowed Delaware, and the other states who accepted Gulf Coast survivors, little time to plan, prepare, issue policies to eligibility workers and to make changes to their eligibility determination and claims processing systems that would allow these individuals to be tracked as a separate group. Our first priority was to expedite eligibility processing to enable these individuals to receive the medical care to which they were entitled.

While Delaware cannot refute the OIG's finding that there was insufficient verifiable documentation to support a determination of eligibility under the waiver for the three individuals in question, we believe that the determination of eligibility for those clients was in keeping with the spirit of the waiver and stand by our determination.

Sincerely,



Harry Hill  
Director

Delaware Division of Medicaid and Medical Assistance

HH/

cc: D. Michalik  
M. Nonnenmacher  
B. Laucius