

Report in Brief

Date: June 2021

Report No. A-04-17-00113

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



Why OIG Did This Audit

In prior audits of school-based administrative and health services costs that States allocated to Medicaid using random moment sampling (RMS), we identified significant overpayments. After conducting a risk assessment of Kentucky's Medicaid Administrative Claiming program, we determined that Kentucky claimed significant Medicaid school-based administrative costs based on its RMS. We conducted this audit because of the significant amount claimed and our prior findings related to costs that States allocated to Medicaid using RMS.

Our objective was to determine whether Kentucky claimed school-based Medicaid administrative costs in accordance with Federal requirements.

How OIG Did This Audit

Our audit covered \$58.9 million (\$29.4 million Federal financial participation (FFP)) in school-based administrative costs allocated to Medicaid using RMS and claimed on Kentucky's Medicaid expenditure reports for Federal fiscal years (FFYs) 2009 through 2014 (audit period). We reviewed Kentucky's RMS procedures, including random moment time study methodologies and documentation of the Department of Health and Human Services, Division of Cost Allocation (DCA) approvals of related cost allocation plan (CAP) amendments.

Kentucky Claimed Millions in Unallowable School-Based Medicaid Administrative Costs

What OIG Found

Kentucky did not claim school-based Medicaid administrative costs in accordance with Federal requirements. It used an invalid RMS to allocate costs to Medicaid, and it included unallowable costs in its cost pools. In addition, Kentucky claimed these costs without promptly submitting CAP amendments to DCA for review and without obtaining DCA approval. As a result, the \$58.9 million (\$29.4 million FFP) that it claimed in school-based Medicaid administrative costs for FFYs 2009 through 2014 was unallowable.

What OIG Recommends and Kentucky's Comments

We recommend that Kentucky: (1) refund \$29.4 million to the Federal Government; (2) amend its CAP to address the statistical validity issues we identified; (3) enhance RMS procedures to ensure that its RMTS methodology complies with Federal requirements for statistical validity; (4) enhance RMS procedures to ensure that its Medicaid administrative cost claim complies with Federal requirements for allocable costs; (5) enhance policies and procedures to ensure that changes to its RMTS methodology are incorporated into a CAP amendment and promptly submitted to DCA for review; and (6) review school-based Medicaid administrative costs claimed after our audit period and refund any unallowable amounts.

In written comments on our draft report, Kentucky generally disagreed with our findings, and it did not specifically address our recommendations. It agreed with certain elements of our findings and described actions it had taken or could take to address them. However, Kentucky did not agree with our findings that its RMS was invalid, that support staff costs included in its cost pools were unallowable, or that its CAP amendments were not promptly submitted for approval.

Kentucky did not provide any additional documentation with its comments, and nothing in Kentucky's comments warranted changing our findings and recommendations.