Florida Medicaid Paid Hundreds of Millions in Unallowable Payments to Jackson Memorial Hospital Under Its Low Income Pool Program

What OIG Found
Florida paid hundreds of millions to the Hospital under the LIP program that were not in accordance with the waiver and applicable Federal regulations. Of the $1.8 billion in LIP payments made to the Hospital during our audit period, Florida claimed Medicaid reimbursement of $686 million ($412 million Federal share) in excess of the Hospital’s allowable costs, including $132 million ($64 million Federal share) of net Hospital-reported overpayments and $554 million ($348 million Federal share) of unallowable costs identified during this audit.

What OIG Recommends and Hospital and Florida Comments
We recommend that Florida (1) refund $412 million to the Federal Government, including $64 million of hospital-reported net overpayments and $348 million of unallowable costs identified during this audit; (2) instruct hospitals to establish procedures to return the Federal share of any overpayments in their LIP cost-limit calculations; (3) establish procedures to ensure that it returns to the Federal Government the Federal share of overpayments reported by hospitals; and (4) improve its oversight of the LIP program. We also made other procedural recommendations.

The Hospital disagreed with most of our findings. Most significantly, the Hospital contended that we incorrectly determined that it should offset Medicare and commercial insurance payments against costs for dual-eligible patients. After reviewing the Hospital’s comments, we maintain that our findings and recommendations are correct, with one exception related to nonmedical assistance costs.

Florida disagreed with our findings. Like the Hospital, Florida argued that we incorrectly determined that the Hospital should offset Medicare and commercial insurance payments against costs for dual-eligible patients. Florida also argued that we did not properly consider the intersection of the LIP and disproportionate share hospital programs, contending that we should not have offset DSH payments that it had identified as overpayments. Florida also said that we should reduce Medicaid payments by the overpayment that it identified in its preliminary analysis of Medicaid rate settlements. After reviewing Florida’s comments, we maintain that our findings and recommendations are correct but reduced the recommended refund from $436 million to $412 million based on additional information that Florida provided.

The full report can be found at https://oig.hhs.gov/oas/reports/region4/41704058.asp.