

Report in Brief

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



Why OIG Did This Review

As part of its Research and Demonstration Waiver for Medicaid reform (the waiver), Florida established the Low Income Pool (LIP) program to compensate hospitals for providing care to low-income patients. During State fiscal years (SFYs) 2010 through 2014, hospitals received a total of \$5.1 billion in LIP funds. Jackson Memorial Hospital (the Hospital) received \$1.8 billion of this total.

The Centers for Medicare & Medicaid Services (CMS) performed reviews of the LIP program covering SFYs 2007 through 2009 and found that Florida did not provide adequate oversight and guidance. As a result, the hospitals claimed unallowable costs and inconsistently documented, calculated, and reported costs. Florida also had not refunded \$146.1 million of Federal funds related to hospital-reported LIP overpayments disallowed by CMS.

Our objective was to determine whether Florida made LIP payments to the Hospital in accordance with the waiver and applicable Federal regulations.

How OIG Did This Review

Our audit covered SFYs 2010 through 2014, the most recent SFY for which supporting calculations were available. We reviewed the cost-limit calculations and supporting LIP data for unallowable items and clerical errors, and we recalculated the Hospital's cost limits for caring for low-income patients.

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.