

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ALASKA RECEIVED MILLIONS
IN UNALLOWABLE
BONUS PAYMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Gloria L. Jarmon
Deputy Inspector General
for Audit Services**

**August 2018
A-04-17-08059**

Office of Inspector General

<https://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <https://oig.hhs.gov>

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG website.

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.

Report in Brief

Date: August 2018

Report No. A-04-17-08059

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



Why OIG Did This Review

The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) applied to both the Children's Health Insurance Program and Medicaid. Under CHIPRA, Congress appropriated \$3.2 billion for qualifying States to receive bonus payments to offset the costs of increased enrollment of children in Medicaid.

In previous audits of CHIPRA bonus payments in other States, we found millions of dollars in unallowable bonus payments; therefore, we identified CHIPRA bonus payments as a high-risk area. Alaska received more than \$18 million in bonus payments for fiscal years (FYs) 2009 through 2013 (audit period).

Our objective was to determine whether the bonus payments that Alaska received were allowable in accordance with Federal requirements.

How OIG Did This Review

We reviewed the bonus payments that Alaska received for the audit period. Our review focused on verifying the accuracy of enrollment information used in the bonus payment calculations and ensuring that the information complied with Federal requirements. We did not review Alaska's Medicaid eligibility determinations.

Alaska Received Millions in Unallowable Bonus Payments

What OIG Found

Some of the bonus payments that Alaska received for the audit period were not allowable in accordance with Federal requirements. Most of the data used in Alaska's bonus payment calculations were in accordance with Federal requirements. However, Alaska overstated its FYs 2009 through 2013 current enrollment in its bonus requests to the Centers for Medicare & Medicaid Services (CMS) because it included individuals who did not qualify because of their basis-of-eligibility (BOE) category. CMS guidance instructed States to include in their current enrollment only individuals whom the State identifies and reports as having a BOE of "child" in the Medicaid Statistical Information System, which are BOE categories 4, 6, and 8. In addition to these three BOE categories, Alaska incorrectly included individuals from BOE 2, "Blind and Disabled."

As a result of the overstated current enrollment numbers, CMS overpaid Alaska almost \$8.9 million in bonus payments.

What OIG Recommends and Alaska Comments

We recommend that Alaska refund almost \$8.9 million to the Federal Government.

In written comments on our draft report, Alaska confirmed that it included individuals with a BOE code other than 4, 6, and 8 in its current enrollment. However, Alaska did not concur with our findings or recommendation. Alaska said that the current enrollment numbers that it submitted to CMS were in accordance with the intent of statutory criteria for the CHIPRA bonus payments. Additionally, Alaska asserted that it prepared its current enrollment numbers in accordance with CMS guidance and is, therefore, not at fault. Finally, Alaska maintained that it was at a disadvantage because of its records retention schedule for the audit period.

After review and consideration of Alaska's comments, we maintain that our findings and recommendation are correct. CMS has consistently and reasonably interpreted the statute and explained its approach in addressing Congress's intent. Therefore, Alaska's current enrollment should have included individuals from only BOE categories 4, 6, and 8. Furthermore, we allowed Alaska to re-create its current enrollment numbers from its current eligibility database, which resulted in a lower overpayment amount than our initial calculation.

TABLE OF CONTENTS

INTRODUCTION.....	1
Why We Did This Review	1
Objective	1
Background	1
The Medicaid Program: How It Is Administered.....	1
Alaska’s Medicaid Management Information System and CMS’s Medicaid Statistical Information System	1
Bonus Payments.....	2
How We Conducted This Review	2
FINDINGS.....	3
The State Agency Did Not Calculate Current Enrollment in Accordance With Federal Requirements	3
Alaska Received Almost \$8.9 Million in Unallowable Bonus Payments.....	4
RECOMMENDATION	5
STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE	5
State Agency Comments.....	5
Office of Inspector General Response	5
APPENDICES	
A: Audit Scope and Methodology	8
B: Related Office of Inspector General Reports.....	10
C: Current Enrollment Calculations.....	11
D: Federal Requirements Related to Bonus Payments.....	13
E: State Agency Comments	15

INTRODUCTION

WHY WE DID THIS REVIEW

The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) directly affects both the Children's Health Insurance Program and Medicaid. Under CHIPRA, Congress appropriated \$3.225 billion for qualifying States to receive performance bonus payments (bonus payments) for Federal fiscal years (FYs) 2009 through 2013 to offset the costs of increased enrollment of children in Medicaid. In previous audits of CHIPRA bonus payments in other States,¹ we found millions of dollars in unallowable bonus payments; therefore, we identified CHIPRA bonus payments as a high-risk area.

We reviewed the bonus payments that Alaska received for FYs 2009 through 2013 because preliminary analysis indicated inconsistencies between the enrollment of children in Medicaid that Alaska reported when requesting bonus payments and the enrollment reflected in the Medicaid Statistical Information System (MSIS) maintained by the Centers for Medicare & Medicaid Services (CMS). Alaska received \$18,021,954 in bonus payments for the FYs we reviewed.

OBJECTIVE

Our objective was to determine whether the bonus payments that Alaska received were allowable in accordance with Federal requirements.

BACKGROUND

The Medicaid Program: How It Is Administered

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 CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. CMS administers the Medicaid program at the Federal level. Alaska's Department of Health and Social Services (State agency) administers Alaska's Medicaid program.

Alaska's Medicaid Management Information System and CMS's Medicaid Statistical Information System

Section 235 of the Social Security Amendments of 1972, P.L. No. 92-603, provided for 90-percent Federal financial participation (FFP) for the design, development, or installation and 75-percent FFP for the operation of eligible State mechanized claim processing and information

¹ See Appendix B for details.

retrieval systems. For Medicaid purposes, the mechanized claim processing and information retrieval system is the Medicaid Management Information System (MMIS).

The MMIS is an integrated group of procedures and computer processing operations designed to improve Medicaid program and administrative cost controls, service to beneficiaries and providers, operations of claims control and computer capabilities, and management reporting for planning and control.

Under the Balanced Budget Act of 1997, P.L. No. 105-33, States are required to submit Medicaid eligibility and claim data to CMS through the MSIS. The purpose of the MSIS is to collect, manage, analyze, and disseminate information on eligibility, beneficiaries, utilization, and payment for services covered by State Medicaid programs. CMS uses MSIS data to produce Medicaid program characteristics and utilization information. Some of the data that States report for Medicaid-eligible individuals are age, race, sex, and basis of eligibility (BOE).

Bonus Payments

CHIPRA, P.L. No. 111-3, directly affects both the Children's Health Insurance Program under Title XXI of the Social Security Act (the Act) and Medicaid under Title XIX of the Act. Under CHIPRA, qualifying States may receive bonus payments for FYs 2009 through 2013 to offset the costs of increased enrollment of children in Medicaid. A State is eligible for a bonus payment if it increased its current enrollment of qualifying children (current enrollment) above the baseline enrollment of qualifying children (baseline enrollment) for a given year as specified in CMS guidance. A State must also have implemented at least five of the Medicaid enrollment and retention provisions specified in CHIPRA.

CMS is responsible for determining whether a State meets the requirements to receive a bonus payment and, if so, the amount of a State's bonus payment. CMS makes its determinations, in part, on the basis of Medicaid enrollment information that the State provided in its requests for bonus payments. The State agency requested the bonus payments that Alaska received for FYs 2009 through 2013. Appendix C contains the details of Alaska's current enrollment calculations for these FYs.

HOW WE CONDUCTED THIS REVIEW

We reviewed the bonus payments that Alaska received for FYs 2009 through 2013 (audit period), totaling \$707,253, \$4,913,942, \$5,748,452, \$4,121,160, and \$2,531,147, respectively. Our review focused on verifying the accuracy of enrollment information used in the bonus payment calculations and ensuring that the information complied with Federal requirements. We neither assessed the State agency's internal control structure beyond what was necessary to meet our objective nor reviewed the State agency's determinations of Medicaid eligibility. Also, we did not review whether the State agency successfully implemented at least five of the Medicaid enrollment and retention provisions because we determined that there was a low risk of noncompliance.

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 findings and conclusions based on our audit objectives.

Appendix A contains the details of our scope and methodology, and Appendix D contains the Federal requirements related to bonus payments.

FINDINGS

Some of the bonus payments that Alaska received for the audit period were not allowable in accordance with Federal requirements. Most of the data used in Alaska's bonus payment calculations were in accordance with Federal requirements. However, the State agency overstated its FYs 2009 through 2013 current enrollment in its bonus requests to CMS because it included individuals who did not qualify because of their BOE code. As a result, CMS overpaid Alaska \$8,899,581 in bonus payments.

THE STATE AGENCY DID NOT CALCULATE CURRENT ENROLLMENT IN ACCORDANCE WITH FEDERAL REQUIREMENTS

The State agency reported CHIPRA current enrollments of 64,594, 73,212, 76,996, 78,421, and 78,678 for FYs 2009 through 2013, respectively. According to CMS guidance,² a State should calculate CHIPRA current enrollment using the same State institutional data sources, such as the State's MMIS, that it uses for reporting under the MSIS.

Furthermore, the State's current enrollment should include only individuals whom the State identifies and reports as having a BOE of "child" in the MSIS. Specifically, CMS guidance defines BOE codes of "child" as follows:

- Code 4: Child (not Child of Unemployed Adult, not Foster Care Child);
- Code 6: Child of Unemployed Adult (optional); and
- Code 8: Foster Care Child.

² CMS, State Health Official (SHO) Letter #09-015, CHIPRA #10, and CMS BP-Clarification3.docx.

CMS established this guidance to ensure that States consistently used the same information and basis (i.e., BOE codes) that CMS uses to develop States’ baseline enrollment.³

The State agency correctly used the same State institutional data source to calculate its current enrollment that it used for MSIS reporting. However, the State agency did not follow CMS guidance to include in its CHIPRA current enrollment only individuals with a BOE of “child” in the MSIS. In addition to the above three BOE categories, the State agency incorrectly included individuals from BOE code 2, “Blind and Disabled,” in its reports of CHIPRA current enrollments to CMS, which inflated its current enrollment numbers. Had it followed Federal requirements, the State agency would have reported the current enrollment for FYs 2009 through 2013 as depicted in Table 1.

Table 1: Alaska Medicaid Enrollment

Current Enrollment⁴	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
State-reported number	64,594	73,212	76,996	78,421	78,678
OIG-calculated number	62,914	71,274	74,919	76,442	76,387
Overstatement	1,680	1,938	2,077	1,979	2,291

ALASKA RECEIVED ALMOST \$8.9 MILLION IN UNALLOWABLE BONUS PAYMENTS

CMS calculated excessive CHIPRA bonus payments to Alaska because the State agency overstated its CHIPRA current enrollments for FYs 2009 through 2013 (Table 1). As a result, Alaska received unallowable bonus payments of \$668,647, \$2,477,831, \$3,079,388, \$1,757,479, and \$916,236 for FYs 2009 through 2013, respectively. We recalculated the bonus payments using the correct CHIPRA current enrollments for these FYs and found that Alaska should not have received a total of \$8,899,581 in bonus payments for the FYs reviewed (Table 2).

Table 2: Alaska Bonus Payments

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total
Bonus payment received	\$707,253	\$4,913,942	\$5,748,452	\$4,121,160	\$2,531,147	\$18,021,954
Correct bonus payment	38,606	2,436,111	2,669,064	2,363,681	1,614,911	9,122,373
Bonus Payment Not Allowed	\$668,647	\$2,477,831	\$3,079,388	\$1,757,479	\$916,236	\$8,899,581

³ The baseline enrollment level for a State uses a formula that includes such factors as the levels of qualifying children under the Medicaid program and various adjustment factors that account for population growth.

⁴ See Appendix C, Tables 3 and 4, for the detail of the State agency’s reported current enrollment numbers and our calculated current enrollment numbers.

RECOMMENDATION

We recommend that the State agency refund \$8,899,581 to the Federal Government.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency confirmed that it included individuals with a BOE code other than 4, 6, and 8 in its current enrollment. However, the State agency did not concur with our findings or recommendation. The State agency said that the current enrollment numbers that it submitted to CMS were in accordance with the intent of statutory criteria for the CHIPRA bonus payments.

Additionally, the State agency asserted that it prepared its current enrollment numbers in accordance with CMS guidance and stated that CMS guidance indicated that *“The CMS will identify, obtain, and validate the data elements needed to calculate the payment from [the] qualifying State”* (original emphasis). The State agency asserts that it worked with CMS to supply valid data and is, therefore, not at fault.

Finally, the State agency maintained that it was at a disadvantage in retrieving Federal communications and directives received by the State because of its records retention schedule for the audit period.

The State agency’s comments are included in their entirety as Appendix E.

OFFICE OF INSPECTOR GENERAL RESPONSE

After review and consideration of the State agency’s comments, we maintain that our findings and recommendation are correct.

We disagree that the State agency complied with the Federal requirements for the CHIPRA bonus payments when it included individuals with a BOE code other than, 4, 6, and 8 in its current enrollment. The State agency’s current enrollment calculations did not follow the same logic and basis that CMS used to develop Alaska’s baseline enrollment. As a result, the State agency’s approach overstated Alaska’s current enrollment because it included enrollment categories not reflected in CMS’s calculation of Alaska’s baseline enrollment. CMS acknowledged in its 2009 guidance that the listed eligibility categories were “intended to reflect the eligibility categories for which children *might* be covered” (emphasis added)⁵ and specified that BOE codes 4, 6, and 8 associated with “child” were used for developing the baseline

⁵ In October 2009, CMS provided additional guidance to States in a document titled BP-Clarification3.docx.

enrollment. This same guidance that the State agency cites in part in its response to our draft report further states:

We recognize that the FY 2007 baseline enrollment data obtained from MSIS may not represent an exact one-to-one mapping for each of the above statutory eligibility categories. However, as discussed above, the baseline enrollment data represents all individuals identified and reported by each State with a BOE of “child”; we believe this approach appropriately addresses the intent of the statute in a way that is operationally feasible.⁶

Additionally, in the 2009 guidance, CMS requested that in reporting their current enrollment, States include a description of the data sources and methodologies they used to appropriately identify individuals with a BOE of “child.”

The instructions relating to the average monthly enrollment for children, as well as the fact that the baseline enrollment was established using the BOE codes 4, 6, and 8, were reiterated in an email from CMS to the State agency on December 12, 2011. The email stated that “[t]he same logic and basis that was used for developing the FY 2007 baseline should be used by each State for submitting the average monthly enrollment for children for the current fiscal year for which the bonus payment is being determined” (original emphasis).⁷ CMS asked the State agency to respond to the email to confirm that it used the correct logic and basis in compiling its average monthly current enrollment. The State agency assured CMS that it used the same logic and basis that CMS used to develop the baseline when the State agency developed its average monthly enrollment.

Under the *Chevron* doctrine, deference is given to an agency’s reasonable interpretation and implementation of a statute that the agency administers.⁸ In its guidance to the State agencies, CMS has consistently and reasonably interpreted the statute and explained its approach in addressing Congress’s intent. Allowing the State agency to include individuals from other BOE categories in its current enrollment counts, when those same BOE categories were not included in the baseline calculations, would result in an artificially inflated estimate of growth in children enrolled in the State’s Medicaid program.

Finally, we disagree that the State agency was disadvantaged because of its record retention schedule. The documents that the State provided, and that we relied on for the audit, were consistent with what we obtained from other States during previous CHIPRA bonus payment audits and included CMS guidance documents that clearly showed that Alaska was informed how to calculate current enrollment numbers correctly during the audit period. Furthermore, during our fieldwork, we allowed the State agency to re-create its current enrollment numbers

⁶ CMS BP-Clarification3.docx.

⁷ CMS email, “Subject: AK-Request for Review of Data Related to Calculation of FY 2011 Performance Bonus”

⁸ *Chevron U.S.A. v. Natural Resources Defense Council*, 467 U.S. 837 (1984).

from its current eligibility database in response to its claim that it didn't have access to its historical database. The State agency's current enrollment re-creation resulted in a higher current enrollment number and therefore a lower overpayment amount than our initial calculation, which relied on the original data from CMS's MSIS Datamart to calculate Alaska's current enrollment and potential overpayment. Therefore, to the extent that the age of the information involved had any impact on this audit, it was to the State agency's advantage.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the bonus payments that the State agency received for FYs 2009 through 2013, totaling \$707,253, \$4,913,942, \$5,748,452, \$4,121,160, and \$2,531,147, respectively. Our review focused on verifying the accuracy of enrollment information used in the bonus payment calculations and ensuring that the information used complied with Federal requirements. We neither assessed the State agency's internal control structure beyond what was necessary to meet our objective nor reviewed the State agency's determinations of Medicaid eligibility. Also, we did not review whether the State agency successfully implemented at least five of the Medicaid enrollment and retention provisions because we determined that there was a low risk of noncompliance.

We performed fieldwork at the State agency offices in Juneau, Alaska, from August 2017 through March 2018.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal requirements;
- held discussions with CMS financial management officials to obtain an understanding of the process that States should follow when requesting bonus payments;
- reviewed CMS's detailed calculations⁹ of Alaska's bonus payments for FYs 2009 through 2013;
- verified supporting documentation for all data elements used in Alaska's bonus payment calculations, including baseline enrollment and projected per capita State Medicaid expenditures;
- conducted a risk assessment of the State agency's noncompliance with Federal requirements;
- met with State agency officials to:
 - discuss the State agency's requests for bonus payments,
 - obtain correspondence between the State agency and CMS,

⁹ Appendix II of CMS, SHO Letter #09-015, CHIPRA #10, describes the data elements, processes, and methodologies for calculating the bonus payments.

- understand the State agency’s methodology for determining the current enrollment reported in its requests for bonus payments, and
- understand the State agency’s process for reporting MSIS enrollment data;
- analyzed the State agency’s documentation supporting its requests for bonus payments;
- reviewed the State agency’s MMIS enrollment data;
- reviewed Alaska’s enrollment and expenditure data from the CMS MSIS State Summary Datamart;
- calculated Alaska’s FYs 2009 through 2013 current enrollment using allowable BOEs;
- recalculated Alaska’s bonus payments using revised data; and
- discussed the results with State agency officials.

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 findings and conclusions based on our audit objectives.

APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>Idaho Received Millions in Unallowable Bonus Payments</i>	<u>A-04-17-08056</u>	3/30/2018
<i>Kansas Received Millions in Unallowable Bonus Payments</i>	<u>A-04-16-08050</u>	11/3/2017
<i>Ohio Received Millions in Unallowable Bonus Payments</i>	<u>A-04-16-08049</u>	11/3/2017
<i>Colorado Received Millions in Unallowable Bonus Payments</i>	<u>A-04-15-08039</u>	8/11/2016
<i>New Mexico Received Millions in Unallowable Bonus Payments</i>	<u>A-04-15-08040</u>	11/24/2015
<i>North Carolina Received Millions in Unallowable Bonus Payments</i>	<u>A-04-14-08035</u>	7/21/2015
<i>Wisconsin Received Some Unallowable Bonus Payments</i>	<u>A-04-13-08021</u>	3/18/2015
<i>Louisiana Received More Than \$7.1 Million in Unallowable Bonus Payments</i>	<u>A-04-14-08029</u>	7/10/2014
<i>Washington Received Millions in Unallowable Bonus Payments</i>	<u>A-04-14-08028</u>	9/9/2014
<i>Alabama Received Millions in Unallowable Performance Bonus Payments Under the Children’s Health Insurance Program Reauthorization Act</i>	<u>A-04-12-08014</u>	8/27/2013

APPENDIX C: CURRENT ENROLLMENT CALCULATIONS

EXPLANATION OF CURRENT ENROLLMENT CALCULATION

In accordance with Federal requirements, the CHIPRA current enrollment for any given FY should be calculated by:

- obtaining the number of qualifying children in every month of the FY,
- summing the monthly count of qualifying children for the FY, and
- dividing the sum for the FY by 12 to obtain the monthly average number of qualifying children for the FY.

STATE AGENCY'S CALCULATION OF FISCAL YEARS 2009 THROUGH 2013 CURRENT ENROLLMENT

The State agency calculated its CHIPRA current enrollments for each of the five FYs (2009 through 2013) using the same enrollment data source that it used for MSIS reporting. However, the State agency used a different methodology from that established in CMS guidance to compile its current enrollment. On the basis of this guidance, a State's CHIPRA current enrollment should include only individuals whom the State identifies and reports as a BOE of "child" when reporting MSIS enrollment data. However, the State agency also included in its CHIPRA current enrollment individuals who were classified as a BOE other than "child," thus overstating its current enrollment numbers. Table 3 outlines the State agency's reported current enrollments.

Table 3: State Agency's Reported Current Enrollments

Qualifying Children					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Monthly average	64,594	73,212	76,996	78,421	78,678

OFFICE OF INSPECTOR GENERAL'S CALCULATION OF FISCAL YEARS 2009 THROUGH 2013 CURRENT ENROLLMENT

To calculate Alaska's CHIPRA current enrollments for FYs 2009 through 2013, we had the State agency group its MMIS enrollment data from its current eligibility file into aggregate MSIS BOE categories by month for each year. Then, to determine the monthly average of qualifying children for FYs 2009 through 2013, we included only those individuals whom the State would

identify and report as a BOE of “child” (i.e., BOE codes 4, 6, and 8) when reporting MSIS enrollment for each year. Table 4 outlines our calculated current enrollments.

Table 4: OIG Calculated Current Enrollments

Month	Qualifying Children				
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Oct	60,222	66,731	72,389	75,886	76,242
Nov	60,315	67,960	72,947	76,045	76,249
Dec	60,887	69,368	73,429	76,260	76,275
Jan	61,587	70,991	74,432	76,601	76,685
Feb	62,095	72,075	74,977	76,635	76,810
Mar	62,838	72,826	75,440	76,848	76,964
Apr	63,694	73,158	75,536	76,807	76,972
May	63,955	72,659	75,705	76,809	76,715
Jun	64,445	72,288	75,745	76,603	76,288
Jul	64,514	72,336	75,837	76,309	76,021
Aug	64,786	72,479	76,294	76,401	75,902
Sep	65,629	72,412	76,291	76,100	75,525
Total	754,967	855,283	899,022	917,304	916,648
Monthly Average (Total/12)	62,914	71,274	74,919	76,442	76,387

APPENDIX D: FEDERAL REQUIREMENTS RELATED TO BONUS PAYMENTS

PURPOSE OF THE BONUS PAYMENTS AND BASELINE CALCULATION METHODOLOGY

Section 2105(a)(3) of the Act states that performance bonus payments are intended to offset additional Medicaid and Children’s Health Insurance Program child enrollment costs resulting from enrollment and retention efforts. The payments are made to a State for a FY as a single payment not later than the last day of the first calendar quarter of the following FY.¹⁰ Additional guidance provided by CMS¹¹ requires that payments to qualifying States be made by December 31 of the calendar year (CY) following the end of the FY for which the criteria were implemented. The bonus payments are provided to a State through a grant award.

Section 2105(a)(3)(C)(iii)(I) of the Act states that the baseline number of child enrollees for FY 2009:

is equal to the monthly average unduplicated number of qualifying children enrolled in the State plan under title XIX during FY 2007 increased by the population growth for children in that State from 2007 to 2008 (as estimated by the Bureau of the Census) plus 4 percentage points, and further increased by the population growth for children in that State from 2008 to 2009 (as estimated by the Bureau of the Census) plus 4 percentage points¹²

For each of FYs 2010, 2011, 2012, and 2013, the baseline number of child enrollees “is equal to the baseline number of child enrollees for the State for the previous FY under title XIX, increased by the population growth for children in that State from the CY in which the respective FY begins to the succeeding CY (as estimated by the Bureau of the Census)” plus 3.5 percentage points for FYs 2010 through 2012 and 3 percentage points for FY 2013.¹³

CMS established the baseline enrollment for each State using all of the “MSIS Coding Categories” for which States report individuals under the BOE of “child” in their Medicaid programs. Specifically, these BOEs are identified as BOEs 4, 6, and 8.¹⁴

¹⁰ Section 2105(a)(3)(A) of the Act.

¹¹ CMS, SHO Letter #09-015, CHIPRA #10.

¹² Enrollment data for FY 2007 were obtained from the MSIS.

¹³ Sections 2105(a)(3)(C)(iii)(II) and (III) of the Act.

¹⁴ CMS, SHO Letter #09-015, CHIPRA #10.

CMS provided further guidance, which states:

The FY 2007 Baseline Enrollment data obtained from MSIS may not represent an exact one-to-one mapping for each of the above statutory eligibility categories. However . . . the Baseline Enrollment data represents all individuals identified and reported by each State with a BOE of “child.” We believe this approach appropriately addresses the intent of the statute in a way that is operationally feasible.¹⁵

CMS GUIDANCE FOR CURRENT ENROLLMENT CALCULATION

In guidance provided to States in October 2009, CMS requested that in reporting their current enrollment, States include a description of the data sources and methodologies they used to appropriately identify individuals with a BOE of “child.”

¹⁵ CMS, SHO Letter #09-015, CHIPRA #10.



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Health and Social Services

OFFICE OF THE COMMISSIONER

Anchorage
3601 C Street, Suite 902
Anchorage, Alaska 99503-5923
Main: 907.269.7800
Fax: 907.269.0060

Juneau
350 Main Street, Suite 404
Juneau, Alaska 99801-1149
Main: 907.465.3030
Fax: 907.465.3068

June 8, 2018

Ms. Lori S. Pilcher
Regional Inspector General for Audit Services
Office of Audit Services, Region IV
Office of Inspector General
Department of Health and Human Services
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

Dear Ms. Pilcher:

RE: Response to OIG report number #A-04-17-08059 received May 11, 2018 for Department of Health and Social Services (DHSS), CHIPRA Performance Bonus Program for fiscal years 2009 through 2013.

Thank you for the opportunity to review and respond to the draft report by the Office of Inspector General (OIG) regarding their review of Alaska's Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) performance bonus program.

The State of Alaska Department of Health and Social Services (AK DHSS) respectfully does not concur with the report. AK DHSS maintains that the numbers it provided are in accordance and consistent with the intent of the federal statute. It complied with the federal statutory definition of "qualifying children" by including children who are blind or disabled in current enrollment data for CHIPRA bonus payments. The language for qualifying children includes children (no exceptions or carve-outs for blind or disabled) who meet eligibility criteria in effect as of July 1, 2008 – including income, categorical eligibility, age and immigration status – for enrollment in Medicaid (title XIX [42 USC §§ 1396 *et seq.*] must be counted as "qualifying children".

Alaska has opted to cover children under the age of 19 who meet the eligibility criteria specified by section 1902(a)(10)(A) of the Social Security Act (Medicaid), codified as 42 USC §§ 1396a, *et seq.* See Alaska Statute (AS) 47.07.020(a) and (b).

AK DHSS enrollment data included children identified in MSIS with BOE code 2, 4, 6, and 8. MSIS BOE code 2 includes children who are under age 20 and qualify for Medicaid by being

Ms. Lori Pilcher
June 8, 2018
Page 2 of 3

SSI-eligible blind or disabled persons. These children identified with BOE code 2 meet the statutory definition of “qualifying children” because as SSI and TEFRA-eligible persons they are categorically eligible for Medicaid pursuant to 42 USC §§ 1396a(a)(10)(A)(i)(I),(II); 1396a(a)(10)(A)(ii)(I),(IV),(V),(VI) and 1396a(e)(3) respectively.

Additionally, the numbers were prepared in accordance with the guidance from and validated by the Centers for Medicare and Medicaid Services (CMS). State Health Official (SHO) #09-015, December 16, 2009, also known as CHIPRA 10, states in the last paragraph on page 3 – *The CMS will identify, obtain, and validate the data elements needed to calculate the payment from each qualifying State (CMS is currently working with States on the FY 2009 data calculations).* To that end, to validate is defined as to make legally valid, binding or to ratify and qualifying is defined as to make eligible or meeting certain requirements. Therefore, CMS validated the data received from the states that were determined by CMS to have qualified and calculated and awarded the respective CHIPRA Performance Bonus Payments based on that validation. While the OIG has relied on the selection of categories used by CMS in preparing its Baseline Enrollment level, Appendix II, SHO #09-015 – CHIPRA 10, clearly states “The FY 2007 Baseline Enrollment data obtained from MSIS may not represent an exact one-to-one mapping for each of the above eligibility categories...CMS will work with States to obtain the current enrollment level of qualifying children for each state, consistent with the statutory definition, the reporting mechanism, and validation process for such data in the State....” This process is exactly what occurred in the submission of the state’s enrollment data.

Since this audit encompassed a period of time (2007 to 2013) that pre-dates the department’s retention and archive schedules, the state is at a distinct disadvantage in retrieving federal communications and directives received by the state, and that was needed to respond to the audit inquiries initiated in May of 2017.

Lastly, the CHIPRA performance bonus program ended after 2013 and the monies have been spent by the state in previous fiscal years and are no longer available to return without incurring financial hardship.

Please contact Linnea Osborne at (907) 465-6333 if you have any questions or require additional information.

Sincerely,



Valerie Nurr'araaluk Davidson
Commissioner

Cc: Shawnda O'Brien, Assistant Commissioner
Jon Sherwood, Deputy Commissioner
Margaret Brodie, Director, Division of Health Care Services

Ms. Lori Pilcher
June 8, 2018
Page 3 of 3

Monica Windom, Director, Division of Public Assistance
Linnea Osborne, Accountant V
Barbara Hale, Medical Assistance Administrator IV, CHIP Manager
Christina Davis, Public Assistance Programs Officer