Tennessee Medicaid Claimed Hundreds of Millions of Federal Funds for Certified Public Expenditures That Were Not in Compliance With Federal Requirements

What OIG Found
Tennessee did not comply with Federal requirements for claiming CPEs for public hospital unreimbursed costs. Of the $2 billion in CPEs that Tennessee claimed during our audit period, $909.4 million was allowable and supported. However, the remaining $1.1 billion ($767.5 million Federal share) exceeded the amount allowed. This amount included $482.1 million ($337.5 million Federal share) of excess CPEs that Tennessee claimed but did not return after calculating actual CPEs.

In addition, the actual CPEs that Tennessee calculated included another $609.4 million ($430 million Federal share) that exceeded the allowable amount. It was composed of $522.3 million ($370.1 million Federal share) of unsupported net costs of caring for IMD uninsured patients, $53.6 million ($37.9 million Federal share) of unallowable net costs of caring for TennCare IMD patients between the ages of 21 and 64, and $33.5 million ($22 million Federal share) of overstated costs because of incorrect calculations.

What OIG Recommends and Tennessee Comments
We recommend that Tennessee: (1) refund $397.4 million in overpayments to the Federal Government for CPEs that it claimed in excess of the allowable amount; (2) provide support for or refund to the Federal Government $370.1 million for the net costs of caring for uninsured IMD patients for which it did not provide detailed supporting documentation; and (3) establish additional policies and procedures to ensure compliance with Federal requirements. The detailed recommendations are listed in the body of the report.

In written comments on our draft report, Tennessee disagreed with our first recommendation, objecting to the years covered by our audit and to our interpretation of Federal requirements governing costs related to IMD patients between the ages of 21 and 64. Tennessee disagreed with our second recommendation, stating that, in addition to its disagreement regarding Federal requirements, it provided sufficient data to support uninsured IMD costs. Tennessee generally agreed with our third recommendation to establish additional policies and procedures except that it did not agree that it should establish policies to identify and exclude costs for IMD patients between the ages of 21 and 64. After considering Tennessee’s comments, we maintain that our findings and recommendations are valid for the reasons detailed in the report.

The full report can be found at https://oig.hhs.gov/oas/reports/region4/41904070.asp.