

## Report in Brief

Date: October 2021

Report No. A-04-19-04070

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



### Why OIG Did This Audit

Under a Medicaid waiver, Tennessee was allowed to claim as certified public expenditures (CPEs) the uncompensated cost of care (UCC) at public hospitals for Medicaid enrollees and uninsured patients. For State fiscal years (SFYs) 2009–14, Tennessee claimed a total of \$2 billion in CPEs.

For SFYs 2010–13, Tennessee each year claimed the same amount of \$373.8 million, indicating that it may not have calculated specific estimates of the CPEs for each of those years, as required. Additionally, a recent audit found that another State had improperly paid \$686 million in Medicaid supplemental pool payments.

Our objective was to determine whether Tennessee complied with Federal requirements for claiming CPEs for public hospital unreimbursed costs.

### How OIG Did This Audit

Our audit covered the \$2 billion in CPEs that Tennessee claimed for SFYs 2009–14 (audit period), which were the most recent SFYs for which supporting calculations of actual CPEs were available. We compared the CPEs that Tennessee claimed to its summaries of actual CPEs for each SFY and reviewed the UCC calculations and supporting documentation for five hospitals that received disproportionate share hospital payments and five institutions for mental diseases (IMDs).

## 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.