



December 22, 2010

**TO:** Donald M. Berwick, M.D.  
Administrator  
Centers for Medicare & Medicaid Services

**FROM:** /George M. Reeb/  
Acting Deputy Inspector General for Audit Services

**SUBJECT:** Review of the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program in Indiana for the Quarter Ending March 31, 2009 (A-05-09-00091)

Attached, for your information, is an advance copy of our final report on the quarterly Medicaid statement of expenditures for the Medical Assistance Program in Indiana for the quarter ending March 31, 2009. We will issue this report to the Indiana Family and Social Services Administration, Office of Medicaid Policy and Planning, within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Robert A. Vito, Acting Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through email at [Robert.Vito@oig.hhs.gov](mailto:Robert.Vito@oig.hhs.gov) or James C. Cox, Regional Inspector General for Audit Services, at (312) 353-2621 or through email at [James.Cox@oig.hhs.gov](mailto:James.Cox@oig.hhs.gov). Please refer to report number A-05-09-00091.

Attachment



Office of Audit Services, Region V  
233 North Michigan Avenue  
Suite 1360  
Chicago, IL 60601

December 28, 2010

Report Number: A-05-09-00091

Ms. Pat Casanova  
Director  
Office of Medicaid Policy and Planning  
Indiana Family and Social Services Administration  
402 West Washington Street, MS07  
Indianapolis, IN 46207

Dear Ms. Casanova:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program in Indiana for the Quarter Ending March 31, 2009*. We will forward a copy of this report to the HHS action official noted below.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-05-09-00091 in all correspondence.

Sincerely,

/James C. Cox/  
Regional Inspector General  
for Audit Services

Enclosure

**HHS Action Official:**

Ms. Jackie Garner  
Consortium Administrator  
Consortium for Medicaid and Children's Health Operations  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, IL 60601

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF THE QUARTERLY  
MEDICAID STATEMENT OF  
EXPENDITURES FOR THE MEDICAL  
ASSISTANCE PROGRAM IN INDIANA  
FOR THE QUARTER ENDING  
MARCH 31, 2009**



Daniel R. Levinson  
Inspector General

December 2010  
A-05-09-00091

# *Office of Inspector General*

<http://oig.hhs.gov>

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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 & 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*

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

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

## **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.

## INTRODUCTION

### BACKGROUND

#### Medicaid Program

Pursuant to Title XIX of the Social Security Act, 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. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

#### American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, provides fiscal relief to States to protect and maintain State Medicaid programs in a period of economic downturn. For the recession adjustment period (October 1, 2008, through December 31, 2010), the Recovery Act provides an estimated \$87 billion in additional Medicaid funding based on temporary increases in States' Federal medical assistance percentage (FMAP).<sup>1</sup> Section 5000 of the Recovery Act provides for these increases to help avert cuts in health care payment rates, benefits, or services and to prevent changes to income eligibility requirements that would reduce the number of individuals eligible for Medicaid. Sections 5001(a), (b), and (c) of the Recovery Act provide that a State's increased FMAP during the recession adjustment period will be no less than its 2008 FMAP increased by 6.2 percentage points and that a State may receive an increase greater than 6.2 percentage points based on increases to its average unemployment rate.

CMS reimburses States based on the FMAP for the majority of Medicaid expenditures claimed. For the quarter ended March 31, 2009, Indiana's regular FMAP for Medicaid expenditures was 64.26 percent and the temporarily increased FMAP was 73.23 percent.

#### Indiana Medicaid Program

In Indiana, the Indiana Family and Social Services Administration, Office of Medicaid Policy and Planning (State agency), administers the Medicaid program. The State agency provides comprehensive benefits to Medicaid beneficiaries, uninsured residents with income below specified limits, and uninsured residents at any income level if they have medical conditions that make them uninsurable. The State agency currently has a contract with HP Enterprise Services (HP) to serve as the state's fiscal agent. As the fiscal agent for the State agency, HP is responsible for processing and paying Medicaid claims.

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<sup>1</sup> The Education, Jobs and Medicaid Assistance Act (P.L. No. 111-226) extended the recession adjustment period for the increased FMAP through June 30, 2011.

## **Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program**

The State agency claims Medicaid expenditures on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS-64). The Form CMS-64 is the accounting statement that the State agency, pursuant to 42 CFR § 430.30(c), must submit to CMS within 30 days after the end of each quarter. This form shows the disposition of Medicaid funds for the quarter being reported and any prior-period adjustments. It also accounts for any overpayments, underpayments, refunds received by the State agency, and income earned on Medicaid funds.

The amounts reported on the Form CMS-64 and its attachments must represent actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and which is available at the time the claim is filed. CMS considers claims developed through the use of sampling (other than under an approved cost allocation or administrative claiming plan), projections, or other estimating techniques to be estimates, which are not allowable.

### **Oversight of Quarterly Medicaid Statement of Expenditures**

The CMS Regional Office conducts quarterly reviews of the Form CMS-64. During these reviews, CMS Regional office staff members review the amounts reported in the accounting records the State agency used to support the Form CMS-64 and perform additional procedures in accordance with the CMS *Financial Review Guide for the Quarterly Medicaid Statement of Expenditures*. The Indiana State Auditor also conducts reviews of the Form CMS-64.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the State agency's claim for Federal reimbursement of Medicaid expenditures was adequately supported by actual recorded expenditures.

### **Scope**

The State agency claimed Medicaid expenditures totaling \$1.4 billion (\$1 billion Federal share) for the quarter ended March 31, 2009. Our review covered 16 line items on the Form CMS-64 totaling \$1.3 billion or 93 percent of the State agency's claimed expenditures for the quarter. The 16 line items were: Inpatient Hospital Services – Regular Payments; Mental Health Facility Services – Regular Payments; Nursing Facility Services; Intermediate Care Facility Services – Mentally Retarded: Private Providers; Physicians' Services; Outpatient Hospital Services; Prescribed Drugs; Dental Services; Clinic Services; Home Health Services; Medicaid Health Insurance Payments – Managed Care Organizations; Medicaid Health Insurance Payments – Other; Home and Community-Based Services; Hospice Benefits; Federally-Qualified Health Center; and Other Care Services.

Our objective did not require a review of the overall internal control structure of the State agency. Therefore, we limited our internal control review to the State agency's procedures for accounting, documenting, and claiming Medicaid expenditures.

We conducted fieldwork at the State agency's offices in Indianapolis, Indiana.

## **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and the State plan,
- interviewed State agency officials to obtain an understanding of their policies and procedures for reporting Medicaid expenditures on the Form CMS-64,
- interviewed CMS personnel responsible for monitoring the Form CMS-64 and gained an understanding of the Form CMS-64 adjustment process,
- acquired an understanding of the systems used by the State agency for reporting Medicaid expenditures,
- acquired an understanding of the State agency's Medicaid waiver program,
- obtained the Form CMS-64 submitted by the State agency for the quarter ending March 31, 2009,
- verified that the State agency applied proper FMAPs for current expenditures and adjustments,
- traced overall totals claimed on the Form CMS-64 to the State agency's accounting records,
- selected and reviewed supporting documentation for 16 line items that made up 93 percent of the total claimed, and
- discussed our results with the State agency.

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 objective.

## **RESULTS OF REVIEW**

The State agency's claim for Federal reimbursement of Medicaid expenditures on the Form CMS-64 was adequately supported by actual recorded expenditures. Therefore, we are making no recommendations to the State agency.