



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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

March 18, 2011

Report Number: A-05-10-00053

Ms. Julie Hamos
Director
Illinois Department of Healthcare and Family Services
201 South Grand Avenue East
Springfield, IL 62763

Dear Ms. Hamos:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Family Planning Services Claimed by Illinois From October 1, 2007, Through September 30, 2009*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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 do not hesitate to call me, or contact Mike Barton, Audit Manager, at (614) 469-2543 or through email at Mike.Barton@oig.hhs.gov. Please refer to report number A-05-10-00053 in all correspondence.

Sincerely,

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

Enclosure

Direct Reply to HHS Action Official:

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

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FAMILY PLANNING SERVICES
CLAIMED BY ILLINOIS FROM
OCTOBER 1, 2007, THROUGH
SEPTEMBER 30, 2009**



Daniel R. Levinson
Inspector General

March 2011
A-05-10-00053

Office of Inspector General

<http://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 & 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:

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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.

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XIX of the Social Security Act (the 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 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. In Illinois, the Department of Healthcare and Family Services (State agency) administers the Medicaid program and is responsible for providing family planning services and reporting expenditures for Federal reimbursement.

The amount of funding that the Federal Government reimburses to State Medicaid agencies, known as either Federal financial participation (FFP) or Federal share, is determined by the Federal medical assistance percentage (FMAP), which varies based on a State's relative per capita income. The State agency's FMAP ranged from 50-percent to 61.88-percent for claims paid from October 1, 2007, through September 30, 2009.

Federal requirements also make provisions for various specified services to be reimbursed at higher rates of FFP. Section 1903(a)(5) of the Act and 42 CFR § 433.10(c)(1) authorize reimbursement at an enhanced 90-percent FFP rate for family planning services. Section 4270 of the CMS *State Medicaid Manual* (the manual) states that family planning services include those that prevent or delay pregnancy or otherwise control family size and may include infertility treatments. Pursuant to the provisions of the manual, only items and procedures clearly furnished or provided for family planning purposes may be claimed at the enhanced 90-percent FFP rate.

The State agency claimed \$16,393,390 (\$14,754,051 Federal share) for sterilizations from October 1, 2007, through September 30, 2009.

OBJECTIVE

Our objective was to determine whether the State agency properly claimed Medicaid family planning sterilization procedures for enhanced Federal reimbursement from October 1, 2007, through September 30, 2009.

SUMMARY OF FINDINGS

The State agency improperly claimed Federal reimbursement of \$869,273 for family planning services provided from October 1, 2007, through September 30, 2009. For all 432 multiple procedure sterilization claims reviewed, the State did not properly allocate family planning expenditures when the sterilization was not the primary reason for the hospital admission. As a result, we question the enhanced Federal share for all 432 claims for family planning services

claimed at the 90-percent Federal funding reimbursement rate from October 1, 2007, through September 30, 2009.

This error occurred because the State agency's computer edit did not properly allocate family planning expenditures when the sterilization was not the primary reason for the hospital admission.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$869,273 to the Federal Government for the improper family planning costs claimed at the enhanced 90-percent Federal funding reimbursement rate from October 1, 2007, through September 30, 2009; and
- develop a system edit to allocate family planning expenditures when sterilization is not the primary reason for the hospital admission.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with our recommendations and described corrective actions that it had implemented or planned to implement. We did not verify the corrective actions.

The State agency's comments are included in their entirety as the Appendix.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Medicaid Program.....	1
Illinois' Medicaid Program.....	1
Medicaid Coverage of Family Planning Services.....	1
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective.....	2
Scope.....	2
Methodology.....	2
FINDINGS AND RECOMMENDATIONS	3
STERILIZATIONS	3
Federal Requirements	3
Multiple Procedure Sterilizations	3
Calculation of Overpayment	4
RECOMMENDATIONS	4
STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE	4
APPENDIX	
STATE AGENCY COMMENTS	

INTRODUCTION

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security Act (the 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 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.

Illinois' Medicaid Program

In Illinois, the Department of Healthcare and Family Services (State agency) administers the Medicaid program and is responsible for providing family planning services and reporting expenditures for Federal reimbursement. The amount of funding that the Federal Government reimburses to State Medicaid agencies, known as either Federal financial participation (FFP) or Federal share, is determined by the Federal medical assistance percentage (FMAP), which varies based on a State's relative per capita income. The State agency's FMAP ranged from 50-percent to 61.88-percent for claims paid from October 1, 2007, through September 30, 2009. Federal requirements also make provisions for various specified services to be reimbursed at higher rates of FFP.

The State agency claimed \$16,393,390 (\$14,754,051 Federal share) for sterilizations from October 1, 2007, through September 30, 2009.

Medicaid Coverage of Family Planning Services

Section 1905(a)(4)(C) of the Act requires States to furnish "... family planning services and supplies ... to individuals of child-bearing age (including minors who can be considered to be sexually active) who are eligible under the State plan and who desire such services and supplies" Section 1903(a)(5) of the Act and 42 CFR § 433.10(c)(1) authorize reimbursement at a 90-percent FFP rate for family planning services.

Section 4270 of the CMS *State Medicaid Manual* (the manual) states that family planning services include those that prevent or delay pregnancy or otherwise control family size and may also include infertility treatments. In addition, the manual generally permits an enhanced 90-percent FFP rate for the following items and services: counseling services and patient education; examination and treatment by medical professionals pursuant to States' requirements; devices to prevent conception; and infertility services, including sterilization reversals.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency properly claimed Medicaid family planning sterilization procedures for enhanced Federal reimbursement from October 1, 2007, through September 30, 2009.

Scope

We reviewed family planning claims for sterilization services provided to Medicaid beneficiaries from October 1, 2007, through September 30, 2009. We specifically reviewed the State's reimbursement methodology for claims totaling \$3,402,043 (\$3,061,838 Federal share) for multiple procedure sterilizations, when the sterilization was not the primary reason for the hospital admission.

We limited our review of internal controls to gaining an understanding of the State agency's procedures for claiming Federal reimbursement for family planning services. We performed fieldwork with the State agency in Springfield, Illinois, from June through December 2010.

Methodology

To accomplish our objective, we:

- reviewed Federal and State laws and regulations related to reporting expenditures for family planning services;
- held discussions with State agency officials related to State policies, procedures, and methodology for claiming Medicaid reimbursement for family planning services;
- obtained and reviewed claims' data for family planning services with dates of service from October 1, 2007, through September 30, 2009;
- obtained and reviewed documentation related to sterilization services, including patient consent forms; and
- calculated the difference between the enhanced 90-percent FFP rate and the effective FMAP rate for all multiple procedure sterilization services during the period October 1, 2007, through September 30, 2009.

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.

FINDINGS AND RECOMMENDATIONS

The State agency improperly claimed Federal reimbursement of \$869,273 for family planning services provided from October 1, 2007, through September 30, 2009. For all 432 multiple procedure sterilization claims reviewed, the State did not properly allocate family planning expenditures when the sterilization was not the primary reason for the hospital admission. As a result, we question the enhanced Federal share for all 432 claims for family planning services claimed at the 90-percent Federal funding reimbursement rate from October 1, 2007, through September 30, 2009.

This error occurred because the State agency's computer edit did not properly allocate family planning expenditures when the sterilization was not the primary reason for the hospital admission.

STERILIZATIONS

Federal Requirements

In February 2002, CMS issued *Financial Management Review Guide Number 20*, entitled *Family Planning Services* that provides specific instructions for performing financial management reviews of claims for family planning services. The guide refers to a 1980 policy memorandum regarding CMS policy in allocating family planning inpatient hospital costs where multiple procedures are performed. That CMS policy states that when multiple procedures are performed during a single hospital stay and submitted as a single inpatient claim, a State claim for Federal reimbursement must distinguish between those costs attributable to family planning (eligible for 90-percent Federal reimbursement) and those costs attributable to other covered services (reimbursed at the regular FMAP rate). CMS does not require a specific allocation method, but does require that the reasonableness of the methodology be determined on a State-by-State basis. Additionally, Departmental Appeals Board Decision No. 1284 states that the allocation method adopted by a state must reasonably serve to claim the appropriate rate of Federal reimbursement. The Decision further states that without a reasonable method to make this allocation properly, the State is not entitled to FFP at the enhanced rate.

Section 4270 of the CMS *State Medicaid Manual*, generally permits a 90-percent rate of Federal reimbursement for medically approved methods, procedures, pharmaceutical supplies, and devices to prevent conception. Pursuant to the provisions of the manual, only items and procedures clearly furnished or provided for family planning purposes may be claimed at the 90-percent FFP rate.

Multiple Procedure Sterilizations

To comply with CMS requirements regarding family planning services provided along with nonfamily planning services, the State developed a methodology to determine the Federal share of inpatient hospital claims containing multiple procedures (e.g., delivery and sterilization) performed during the same inpatient stay. To determine the amount of inpatient costs attributable to family planning services, the State allocated one-day of a multiple-day stay to

family planning. That amount was reimbursed at the enhanced 90-percent Federal reimbursement rate.

The State's computer edit did not properly administer the multiple-day stays' methodology when the sterilization was not the primary reason for the hospital admission. Forty multiple procedure sterilization claims were reimbursed at more than \$20,000 per claim with one claim reimbursed for \$240,781. The average reimbursement for all 432 multiple procedure sterilization claims was \$7,875.

Calculation of Overpayment

Because the State agency's computer edit did not properly allocate family planning expenditures when the sterilization was not the primary reason for the hospital admission, we question \$869,273. The questioned amount represents the difference between the enhanced 90-percent FFP and the FMAP for all 432 multiple procedure sterilization claims (claim amount adjusted to account for one day of the multi-day stay) for family planning services claimed at the 90-percent rate from October 1, 2007, through September 30, 2009.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$869,273 to the Federal Government for the improper family planning costs claimed at the enhanced 90-percent Federal funding reimbursement rate from October 1, 2007, through September 30, 2009; and
- develop a system edit to allocate family planning expenditures when sterilization is not the primary reason for the hospital admission.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with our recommendations and described corrective actions that it had implemented or planned to implement. We did not verify the corrective actions.

The State agency's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: STATE AGENCY COMMENTS



Pat Quinn, Governor
Julie Hamos, Director

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February 28, 2011

Department of Health and Human Services
Office of Audit Services, Region V
Attn: James C. Cox, Regional Inspector General for Audit Services
233 North Michigan Avenue, Suite 1360
Chicago, Illinois 60601

Re: Draft Audit Report Number A-05-10-00053

Dear Mr. Cox:

Thank you for providing the opportunity to comment on your draft audit report entitled "*Family Planning Services Claimed by Illinois from October 1, 2007, through September 30, 2009*".

The Department concurs with the finding. The Department will refund \$869,273 via the CMS-64 Quarter Ending March 31, 2011. This error occurred because the edit currently in place is failing due to limitations of the legacy Medicaid Management Information System (MMIS). The system is currently incapable of carrying all reportable diagnosis codes through MMIS to the Management and Reporting (MARS) portion of the system. MARS calculates the split billing for claiming purposes. HFS is currently working toward implementation of the new HIPAA 5010 standard which will increase the capacity and allow for all reportable diagnosis and procedures codes to be passed through to MARS. In the interim, HFS will use the same query logic used in the audit to identify the incorrectly calculated family planning claims and adjust the amounts reported.

We appreciate the work completed by your audit team. If you have any questions or comments about our response to the audit, please contact Jamie Nardulli, External Audit Liaison, at (217) 558-2527 or through email at jamie.nardulli@illinois.gov.

Sincerely,

Julie Hamos
Director