

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**INDIANA UNDERREPORTED THE
FEDERAL SHARE AND DID NOT
ACCURATELY REPORT ALL MEDICAID
OVERPAYMENT COLLECTIONS**

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



**Sheri L. Fulcher
Regional Inspector General
for Audit Services**

**December 2014
A-05-13-00052**

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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EXECUTIVE SUMMARY

Indiana underreported the Federal share of Medicaid collections to be refunded to the Federal Government by approximately \$3 million and did not accurately report approximately \$377,000 of the Federal share of Medicaid collections for years 2009 through 2011.

WHY WE DID THIS REVIEW

Previous Office of Inspector General reviews have shown that States did not always report Medicaid collections properly or refund the Federal share at the appropriate Federal medical assistance percentage (FMAP). We therefore conducted a similar review of these collections reported by the Indiana Family and Social Services Administration, Office of Medicaid Policy and Planning (State agency).

The objective of this review was to determine whether the State agency accurately reported Medicaid collections for years 2009 through 2011.

BACKGROUND

States receive a Federal share for medical assistance based on the FMAP, which varies depending on the State's relative per capita income. The American Recovery and Reinvestment Act of 2009 authorized the States to temporarily receive a higher FMAP during a specified recession adjustment period.

States report Medicaid expenditures and claim the associated Federal share on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS-64). States must submit Form CMS-64 within 30 days of the end of the quarter. To account for recovered overpayments, refunds, and similar receipts, States also report overpayment collections on lines 9.A through 9.E of Form CMS-64. The State agency reports collections for enhanced programs, such as family planning, as claim adjustments on line 10.B. The State agency used a standardized worksheet each quarter to manually compile the amounts for reporting on Form CMS-64.

States report the Federal share of overpayment collections and receive a correspondingly reduced amount of Federal funding for the quarter. If the Federal share of overpayment collections is underreported, the Federal payment for the quarter will be higher than it should be. Conversely, overreporting the Federal share of overpayment collections results in a lower Federal payment for the quarter.

WHAT WE FOUND

The State agency did not accurately report all Medicaid collections on Form CMS-64 for years 2009 through 2011. The State agency underreported the Federal share of Medicaid overpayments by \$2,992,636 after applying an incorrect FMAP. The State agency also did not report collections of \$376,740 because of accounting errors and an accounting system change. As a result, the State agency's claims for Federal reimbursement were overstated by \$3,369,376.

The State agency did not identify the inaccurately reported amounts because it did not reconcile the underlying support to amounts reported on Form CMS-64. The State agency used a manual process for reporting dollar amounts on Form CMS-64 that did not include reconciliations. According to State agency officials, it is difficult to enter and reconcile all amounts by the 30-day submission deadline.

WHAT WE RECOMMEND

We recommend that the State agency:

- refund to the Federal Government \$3,369,376, consisting of:
 - \$2,992,636 in underreported Federal share of collections and adjustments and
 - \$376,740 of Federal share of collections not reported;
- apply the correct FMAP when reporting Medicaid overpayment collections and adjustments on Form CMS-64;
- develop and implement procedures that will enable the State agency to correctly report Medicaid overpayment collections and refund the proper Federal share on Form CMS-64; and
- develop an automated process that will help the State agency correctly report amounts on Form CMS-64 while meeting the 30-day submission deadline.

STATE AGENCY COMMENTS AND OUR RESPONSE

In its comments on our draft report, the State agency partially concurred with our first recommendation. The State agency stated that it “disagrees with \$52,528 of the \$376,740 identified in the letter” and that “the amount in dispute is noted as penalties and investigative cost.” The State agency also stated that these funds were collected by the federal Department of Justice and were not received by the State Medicaid Agency. Therefore, according to the State agency, the funds were not and are not required to be reported on the CMS-64. The State agency did not concur with our fourth recommendation to develop an automated process for reporting amounts on the Form CMS-64. The State agency stated that it does not have the ability to automate CMS’s reporting system. The State agency concurred with our second and third recommendations and provided information on actions that it had taken to address these recommendations.

Regarding our first recommendation, we did not include in our draft report findings \$8,831 of the \$52,528 referenced by the State agency. The Medicaid Fraud Control Unit confirmed that the remaining \$43,397 consisted of penalties that the State agency received and was included as part of the \$376,740 that was not reported on the CMS-64. Regarding our fourth recommendation, the State agency has an internal process of compiling amounts for reporting, which we maintain should be automated.

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INTRODUCTION

WHY WE DID THIS REVIEW

Previous Office of Inspector General reviews have shown that States did not always report Medicaid collections properly or refund the Federal share at the appropriate Federal medical assistance percentage (FMAP).¹ We therefore conducted a similar review of these collections reported by the Indiana Family and Social Services Administration, Office of Medicaid Policy and Planning (State agency).

OBJECTIVE

The objective of this review was to determine whether the State agency accurately reported Medicaid collections for years 2009 through 2011.

BACKGROUND

Medicaid Program: How It Is Administered and How States Claim Federal Reimbursement for Expenditures

Title XIX of the Social Security Act (the Act) established the Medicaid program to provide medical assistance to certain 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 State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with Federal requirements. In Indiana, the State agency administers the Medicaid program.

States receive a Federal share for medical assistance based on the FMAP, which varies depending on the State's relative per capita income. The American Recovery and Reinvestment Act of 2009 (Recovery Act)² authorized the States to temporarily receive a higher FMAP (enhanced rate) during a specified recession adjustment period. Because Medicaid is the payer of last resort, each State plan provides that the State or local agency administering the State plan will make a reasonable effort to collect payments from third parties responsible for care and services provided to Medicaid beneficiaries.

Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program

States report Medicaid expenditures and claim the associated Federal share on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS-64). State agencies use Form CMS-64 to report their use of Medicaid funds to pay for medical and administrative costs for the quarter, as well as any prior-period adjustments. The amount

¹ See Appendix A for a list of reports related to Medicaid overpayment collections.

² Recovery Act, P.L. No. 111-5 (Feb. 17, 2009).

claimed on Form CMS-64 is a summary of expenditures derived from source documents such as claim data, invoices, cost reports, and eligibility records. State agencies must submit Form CMS-64 within 30 days of the end of the quarter.

To account for recovered overpayments, refunds, and similar receipts, the *State Medicaid Manual* (the Manual), section 2500.1, instructs States to report Medicaid overpayment collections received during the quarter on lines 9.A through 9.E of Form CMS-64 as follows:

- 9.A Collections: Third-Party Liability – funds collected from other parties responsible for a beneficiary’s health care costs after Medicaid has already paid a claim.
- 9.B Collections: Probate – funds collected from the estates of deceased Medicaid beneficiaries.
- 9.C Collections: Identified Through Fraud and Abuse Efforts – funds collected as a result of program integrity efforts.
- 9.D Collections: Other – funds collected because of such things as refunds or cancellations.
- 9.E Reserved – Form CMS-64 identifies this as “Miscellaneous.”

States report the Federal share of overpayment collections and receive a reduced amount of Federal funding for the quarter. If the Federal share of overpayment collections is underreported, the Federal payment for the quarter will be higher than it should be. Conversely, overreporting the Federal share of overpayment collections results in a lower Federal payment for the quarter.

The State agency official responsible for compiling the collection amounts on Form CMS-64 obtained the amounts reported on the various collection lines directly from reports provided by State agency departments or a contractor. The State agency reports collections for enhanced programs, such as family planning, as claim adjustments on line 10.B. The State agency used a standardized worksheet each quarter to manually compile the amounts for reporting on Form CMS-64.

HOW WE CONDUCTED THIS REVIEW

Our review covered collections of Medicaid overpayments that the State agency reported on line 9 of Form CMS-64 for years 2009 through 2011. We also reviewed an additional \$16,328,713 (\$11,535,977 Federal share)³ in claim adjustments that the State agency reported on line 10.B during the same period.

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

³ Unless otherwise noted throughout the rest of the report, all reported dollar amounts are Federal share.

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.

See Appendix B for the details of our scope and methodology.

FINDINGS

The State agency did not accurately report all Medicaid collections on Form CMS-64 for years 2009 through 2011. The State agency underreported the Federal share of Medicaid overpayments by \$2,992,636 after applying an incorrect FMAP. The State agency also did not report collections of \$376,740, which consisted of the following:

- \$837,092 in underreported collections because of accounting errors,
- \$208,156 in collections not reported because of accounting errors, and
- \$668,508 in overreported collections because of an accounting system change.

As a result, the State agency's claims for Federal reimbursement were overstated by \$3,369,376.

The State agency did not identify the inaccurately reported amounts because it did not reconcile the underlying support to amounts reported on Form CMS-64. The State agency used a manual process for reporting dollar amounts on Form CMS-64 that did not include reconciliation. According to State agency officials, it is difficult to enter and reconcile all amounts by the 30-day submission deadline.

THE STATE AGENCY DID NOT ACCURATELY REPORT ALL MEDICAID COLLECTIONS

Federal Requirements and Guidance

Section 1903(d)(2) of the Act requires the Secretary of Health and Human Services to recover Medicaid overpayments, including Medicaid payments for which the State has been reimbursed directly by a third party, payments to providers who received third-party payments for the same services, and estate recoveries. States must refund the Federal share of any recovered Medicaid overpayments.

States are required to claim medical assistance and administrative costs, and credit CMS any refunds due, on Form CMS-64. The Manual, section 2500.1, instructs States to use lines 9.A through 9.E when reporting overpayment collections. Only collections of overpayments should be reported on these lines. Section 2500.6 further states, "When recoveries cannot be related to a specific period, compute the Federal share at the FMAP rate in effect at the time the refund was received." Section 2500.2 also instructs States to calculate the Federal share of family planning adjustments at the 90-percent rate for family planning services.

For details on Federal requirements related to the collection of overpayments, see Appendix C.

The State Agency Applied an Incorrect Federal Medical Assistance Percentage to Some Collections

During our audit period, the State agency underreported the Federal share of Medicaid overpayments by \$2,992,636 after applying an incorrect FMAP: \$2,983,585 for collections that were reported on line 9 of Form CMS-64 and \$9,051 for family planning claim adjustments that were reported on line 10.B of Form CMS-64.

Incorrect Federal Share for Collections Reported on Line 9 of Form CMS-64

The State agency underreported the Federal share by \$2,983,585 for collections reported on line 9 of Form CMS-64. We identified \$127,123,723 of collections that the State agency reported on line 9 of Form CMS-64, for which it returned a Federal share of \$90,391,911. The State agency could not identify the original dates the overpayments were made or the FMAP relating to the payments and therefore was required to use the FMAP in effect when the collections were reported. Accordingly, we calculated that the returned Federal share should have been \$93,375,496.

The errors occurred because (1) the State agency did not apply the correct Recovery Act FMAP to all collections during the first three quarters of our audit period (\$2,783,292), (2) the claims contractor did not apply the correct FMAP rate to third-party liability collections for the quarter ended December 31, 2010 (\$191,117), and (3) the State agency applied additional data entry errors to collections (\$9,176).

The table on the next page shows the difference between the Federal share that the State agency reported for the audit period and the Federal share that we calculated on the basis of the FMAP in effect at the time the collections were made.

Table: Underreported Federal Share of Collections

Period	Applicable FMAP	Collections Reported	Federal Share Reported	Federal Share Owed	Federal Share Not Reported
1/1/2009 to 3/31/2009	73.23%	\$10,388,465	\$6,675,626	\$7,607,473	\$931,847
4/1/2009 to 9/30/2009	74.21%	25,321,058	16,939,312	18,790,757	1,851,445
10/1/2009 to 9/30/2010	75.69%	41,885,872	31,694,240	31,703,417	9,177
10/1/2010 to 12/31/2010	76.21%	12,263,597	9,154,970	9,346,087	191,117
1/1/2011 to 3/31/2011	73.39%	8,470,988	6,216,858	6,216,858	0
4/1/2011 to 6/30/2011	71.50%	10,339,240	7,392,556	7,392,557	1
7/1/2011 to 9/30/2011	66.52%	8,815,393	5,864,000	5,863,999	-1
10/1/2011 to 12/31/2011	66.96%	9,639,110	6,454,349	6,454,348	-1
Total		\$127,123,723	\$90,391,911	\$93,375,496	\$2,983,585

Incorrect Federal Share for Adjustments Reported on Line 10.B of Form CMS-64

The State agency underreported the Federal share by an additional \$9,051 for Medicaid claim adjustments reported on line 10.B of Form CMS-64 for the quarter ended March 31, 2009. The State agency made \$33,143 in adjustments to family planning claims at the prior-period FMAP rate of 62.69 percent rather than the correct 90-percent family planning rate, resulting in a \$9,051 underreported Federal share. This error occurred because the State agency did not account for the prior-period adjustments using the 90-percent family planning rate.

The State Agency Underreported Collections Because of Accounting Errors

The State agency underreported collections in the amount of \$837,092 because of various accounting errors. Specifically, State agency staff (1) made reclassification errors totaling \$426,672; (2) subtotaled collections incorrectly, resulting in a \$282,757 error; and (3) did not report \$127,663 in recoveries and penalty collections.

The State Agency Did Not Report Collections Because of Accounting Errors

The State agency did not report collections of \$208,156 on Form CMS-64 because of accounting errors. In particular, State agency staff did not report miscellaneous overpayment refunds totaling \$133,655 and fraud collections totaling \$74,501 on Form CMS-64.

The State Agency Overreported Collections Because of an Accounting System Change

The State agency overreported \$668,508 in collections because of an accounting system change in September 2009. The change in systems caused some collections to be counted twice on Form CMS-64 for the quarter ended September 30, 2009.

The State Agency Did Not Have a Process for Reconciling Support for Collections to the Form CMS-64

The State agency did not identify the inaccurately reported amounts because it did not reconcile the underlying support to amounts reported on Form CMS-64. The State agency used a manual process for reporting dollar amounts on Form CMS-64 that did not include reconciliations. According to State agency officials, it is difficult to enter and reconcile all amounts by the 30-day submission deadline.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government \$3,369,376, consisting of:
 - \$2,992,636 in underreported Federal share of collections and adjustments and
 - \$376,740 of Federal share of collections not reported;
- apply the correct FMAP when reporting Medicaid overpayment collections and adjustments on Form CMS-64;
- develop and implement procedures that will enable the State agency to correctly report Medicaid overpayment collections and refund the proper Federal share on Form CMS-64; and
- develop an automated process that will help the State agency correctly report amounts on Form CMS-64 while meeting the 30-day submission deadline.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

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

STATE AGENCY COMMENTS

In its comments on our draft report, the State agency partially concurred with our first recommendation. The State agency stated that it “disagrees with \$52,528 of the \$376,740 identified in the letter” and that “the amount in dispute is noted as penalties and investigative cost.” The State agency also stated that these funds were collected by the federal Department of Justice and were not received by the State Medicaid Agency. Therefore, according to the State agency, the funds were not and are not required to be reported on the CMS-64. The State agency did not concur with our fourth recommendation to develop an automated process for reporting amounts on the Form CMS-64. The State agency stated that it does not have the ability to automate CMS's reporting system. The State agency concurred with our second and third recommendations and provided information on actions that it had taken to address these recommendations.

OFFICE OF INSPECTOR GENERAL RESPONSE

Regarding our first recommendation, we did not include in our draft report findings \$8,831 of the \$52,528 referenced by the State agency. The Medicaid Fraud Control Unit confirmed that the remaining \$43,397 consisted of penalties that the State agency received and was included as part of the \$376,740 that was not reported on the CMS-64. Regarding our fourth recommendation, the State agency has an internal process of compiling amounts for reporting, which we maintain should be automated.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>Review of Oklahoma Collections for the Medical Assistance Program for Calendar Years 2004 Through 2009</i>	<u>A-06-10-00057</u>	12/29/2011
<i>States Inappropriately Retained Federal Funds for Medicaid Collections for the First Recovery Act Quarter</i>	<u>A-06-11-00064</u>	6/22/2012
<i>Delaware Did Not Comply With Federal Requirements To Report All Medicaid Overpayment Collections</i>	<u>A-03-11-00203</u>	6/28/2012
<i>Maryland Underreported the Federal Share of Medicaid Overpayment Collections</i>	<u>A-03-11-00208</u>	4/10/2014
<i>Georgia Did Not Always Accurately Report and Refund the Federal Share of Medicaid Collections for Calendar Years 2008 Through 2011</i>	<u>A-04-12-00085</u>	4/22/2014
<i>South Carolina Did Not Always Accurately Report and Refund the Federal Share of Medicaid Collections for July 1, 2011, Through December 31, 2012</i>	<u>A-04-13-00092</u>	6/26/2014

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our review covered collections of Medicaid overpayments that the State agency reported on Form CMS-64 during the period January 1, 2009, through December 31, 2011.

We did not review the overall internal control structure of the State agency. We limited our internal control review to obtaining an understanding of the identification, collection, and reporting of program income from Medicaid overpayments.

We conducted fieldwork at the State agency's offices in Indianapolis, Indiana, from August 2013, through April 2014.

METHODOLOGY

To accomplish our audit objective, we:

- reviewed Federal laws, regulations, and guidance governing the collection of Medicaid overpayments;
- interviewed State agency officials regarding policies and procedures for processing claims, identifying and collecting Medicaid overpayments, and reporting collections of Medicaid overpayments on Form CMS-64;
- obtained Form CMS-64s that the State agency submitted for the audit period;
- reviewed the State agency's methodology for identifying the FMAPs used to calculate the Federal share of collections;
- obtained summary and claim information for all program income from Medicaid collections for the audit period;
- traced the collection totals claimed on Form CMS-64 for each quarter to the State agency's supporting worksheets;
- reviewed claim adjustments detail to determine whether the adjustments should have been charged at the family planning rate; and
- discussed our 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 C: FEDERAL REQUIREMENTS FOR COLLECTION OF MEDICAID OVERPAYMENTS

FEDERAL MEDICAL ASSISTANCE PERCENTAGE

The Federal Government pays its share of a State's medical assistance costs under Medicaid based on the FMAP, which varies depending on the State's relative per capita income (the Act, § 1905(b)). States with a lower per capita income relative to the national average are reimbursed a greater share of their costs. States with a higher per capita income are reimbursed a lesser share. By law, the FMAP cannot be lower than 50 percent. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time. In fiscal year 2009, the FMAPs initially ranged from a low of 50 percent to a high of 75.84 percent, depending on the State.⁴

The Recovery Act, enacted February 17, 2009, authorized the States to temporarily receive an enhanced rate during a specified recession adjustment period. The enhanced rates ranged from 56.20 percent to 84.86 percent. During our audit period, Indiana's FMAP ranged from 66.52 percent to 76.21 percent.

FEDERAL GUIDANCE FOR REIMBURSEMENT OF FEDERAL SHARE OF COLLECTED OVERPAYMENTS

Overpayments for which the State must be reimbursed by a third party include overpayments to providers who received third-party payments for the same services. Estate recoveries are also treated as overpayment collections. Collections for these overpayments must be reported on line 9 of Form CMS-64 (the Manual, § 2500.1).

States that receive third-party reimbursement must pay the Federal Government its portion of the reimbursement in accordance with the FMAP for that State (42 CFR § 433.140(c)). Medicaid payments to providers who have been reimbursed by a liable third party for the same services are also unallowable overpayments. States must refund the Federal share of those provider overpayments through a credit on its Form CMS-64. (42 CFR § 433.320(a)(1)).⁵

CMS reimburses each State at the FMAP for the quarter in which the expenditure was made (the Act, § 1903(a)(1)). When a State recovers a prior expenditure, it refunds the Federal share by reporting the recovery on lines 9.A through 9.E of Form CMS-64 (the Manual, § 2500.1). States must submit Form CMS-64 to CMS no later than 30 days after the end of each quarter (42 CFR § 430.30(c)). States report collections at the FMAP used to calculate the amount originally received (the Manual, § 2500.6(B)):

⁴ Additionally, the Act establishes higher, fixed-reimbursement percentages for certain medical assistance services. For example, States receive 90 percent of the costs of family planning services and supplies (the Act, § 1903(a)(5)) and 100 percent of the costs of services furnished through Indian Health Service facilities (the Act, § 1905(b)).

⁵ States are not required to refund the Federal share of uncollectable amounts paid to a bankrupt or out-of-business provider (the Act, § 1903(d)(2)(C) and (D), and 42 CFR § 433.318).

Upon receipt of such funds, determine the date or period of the expenditure for which the refund is made to establish the FMAP at which the original expenditure was matched by the Federal government. Make refunds of the Federal share at the FMAP for which you were reimbursed. When recoveries cannot be related to a specific period, compute the Federal share at the FMAP rate in effect at the time the refund was received. Make adjustments to prior periods in subsequent [CMS-64] forms to reflect the correct FMAP rate.

If a State cannot, for some reason, relate the recovery to a specific time period, the State computes the Federal share at the FMAP in effect at the time the refund is collected and reported (the reporting quarter's FMAP) (the Manual, § 2500.1):

On line 10.B, enter all decreasing adjustments for prior periods except for audit disallowances reported on Line 10.A and overpayments reported on Line 10.C (the Manual, § 2500.1(B)).

Report payments made in a prior period but not included on the expenditure report for that period, and payments made as adjustments to amounts claimed in prior periods on Form HCFA-64.9p. Use this form to support amounts reported on Lines 7, 8, 10.A, and 10.B of the Form HCFA-64 Summary Sheet In column (d), Family Planning Services, enter the FFP at 90 percent times the total computable amount in Column (a) for family planning services (the Manual, § 2500.2(F)).

FEDERAL REQUIREMENTS AND GUIDANCE REGARDING REPORTING MEDICAID OVERPAYMENT COLLECTIONS

The Act requires the Secretary of Health and Human Services to recover Medicaid overpayments (the Act, § 1903(d)(2)(A)). Federal regulations define an overpayment as "... the amount paid by a Medicaid agency to a provider which is in excess of the amount that is allowable for services furnished under section 1902 of the Act and which is required to be refunded under section 1903 of the Act" (42 CFR § 433.304). Third-party liability is the legal obligation of third parties, i.e., certain individuals, entities, or programs, to pay all or part of the expenditures for medical assistance furnished under a State plan (the Act, § 1902(a)(25)(A)).

Payments for which the State has been reimbursed directly by a third party are treated as overpayments (the Act, § 1903(d)(2)(B)). States have 1 year from the time an overpayment is discovered to report the collection of the overpayment amount (the Act, § 1903(d)(2)(C)). Federal share of these overpayment collections must be refunded to the Federal government (the Act, § 1903(d)(3)(A)).

Documentation supporting the amounts reported on Form CMS-64 for actual expenditures must be in readily reviewable form and immediately available at the time the claim is filed (the Manual, § 2500(A)(1)).

APPENDIX D: STATE AGENCY COMMENTS



Michael R. Pence, Governor
State of Indiana

Indiana Family and Social Services Administration
402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

November 26, 2014

Office of Inspector General
Lynn Barker, Audit Manager
DHHS/OIG/OAS
101 West Ohio Street, Suite 1310
Indianapolis, IN 46204

RE: Report Number A-05-13-00052: *“Indiana Underreported the Federal Share and Did Not Accurately Report All Medicaid Overpayment Collections.”*

Dear Ms. Barker:

We are writing in respect to the OIG’s draft report in the above referenced audit dated October 30, 2014. Indiana concurs that the ARRA share was not included in the federal share calculations for reporting collections on the CMS-64 from 1/1/2009 to 12/31/2010. In addition, accounting errors did occur due to implementation of a new accounting system. However, the State disagrees with \$52,528 of the \$376,740 identified in the letter. The amount in dispute is noted as penalties and investigative cost. These funds were collected by the federal Department of Justice and were not received by the State Medicaid Agency. Therefore, they were not and are not required to be reported on the CMS-64. Indiana will make an adjusting entry to correct the federal share of the amounts in concurrence.

The State does now report the current federal share for collections where specific claims cannot be identified. As noted in the Table: Underreported Federal Share of Collections in the report, there was no federal share, greater than \$1 not reported in quarters beginning after 12/31/2010.

With the implementation of the accounting system in 2010, the State now has procedures to enable the correct reporting of overpayment collections and the refund of the proper federal share.

The State cannot concur with the recommendation to “develop an automated process that will help the State agency correctly report amounts on Form CMS-64 while meeting the 30-day submission deadline.” The CMS-64 is required to be entered into the Medicaid Budget Expenditure System (MBES) that was developed and is operated by CMS. The State does not have the ability to automate MBES entry nor correct calculations within the MBES to enhance reporting controls.

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If you require further information, please contact David Nelson at (317) 233-3045.

Sincerely yours,

/Joseph Moser/

Joseph Moser
Director
Office of Medicaid Policy and Planning

cc: Joy Heim
David Nelson
Leslie Melton
Donna Rutherford