

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

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

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

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# ***Office of Inspector General***

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## **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

***Minnesota underreported the Federal share of Medicaid collections to be refunded to the Federal Government by approximately \$2.8 million and did not accurately report approximately \$305,000 of the Federal share of Medicaid collections for Federal fiscal years 2009 through 2013.***

### WHY WE DID THIS REVIEW

Previous Office of Inspector General reviews have found 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 Minnesota Department of Human Services (State agency).

The objective of this review was to determine whether the State agency accurately reported Medicaid collections for Federal fiscal years (FFYs) 2009 through 2013.

### 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 each 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 uses fund codes to identify and report collections for enhanced programs, such as family planning, at the proper FMAP rate. 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 required under Medicaid. 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 FFYs 2009 through 2013. The State agency underreported the Federal share of Medicaid overpayments collections by \$2,805,097 and did not report collections of \$304,806 because of accounting errors. As a result, the State agency's claims for Federal reimbursement were overstated by \$3,109,903.

The State agency did not identify the inaccurate reported amounts because it used a manual process for reporting dollar amounts on Form CMS-64 that did not include a reconciliation procedure. According to State agency officials, employee inexperience, turnover, and lack of internal controls were the reasons for these discrepancies.

## **WHAT WE RECOMMEND**

We recommend that the State agency:

- refund to the Federal Government \$3,109,903, consisting of:
  - \$2,805,097 in underreported Federal share of collections and adjustments, and
  - \$304,806 of Federal share of collections not reported;
- 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.

## **STATE AGENCY COMMENTS**

In written comments to our draft report, the State agency concurred with our recommendations, agreed to refund \$3,109,903, and provided details about corrective actions that it planned to take.

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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).<sup>1</sup> We therefore conducted a similar review of these collections reported by the Minnesota Department of Human Services (State agency).

### OBJECTIVE

The objective of this review was to determine whether the State agency accurately reported Medicaid collections for Federal fiscal years (FFYs) 2009 through 2013.

### 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 Minnesota, the Minnesota Department of Human Services 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)<sup>2</sup> authorizes the States to temporarily receive a higher FMAP 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 claimed on Form CMS-64 is a summary of expenditures derived from source documents such as

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<sup>1</sup> See Appendix A for a list of reports related to Medicaid overpayment collections.

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

claim data, invoices, cost reports, and eligibility records. States agencies must submit Form CMS-64 within 30 days of the end of each 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 uses fund codes to identify and report collections for enhanced programs, such as family planning, at the proper FMAP rate. 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 lines 9.A through 9.E of Form CMS-64 for FFYs 2009 through 2013. We also reviewed claim adjustments that the State agency reported as enhanced programs.

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.

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 FFYs 2009 through 2013. The State agency underreported the Federal share of Medicaid overpayments collections by \$2,805,097 and did not report collections of \$304,806 because of accounting errors.<sup>3</sup>

As a result, the State agency's claims for Federal reimbursement were overstated by \$3,109,903.

The State agency did not identify the inaccurate reported amounts because it used a manual process for reporting dollar amounts on Form CMS-64 that did not include a reconciliation procedure. According to State agency officials, employee inexperience, turnover, and lack of internal controls are the reasons for these discrepancies.

### **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 and Indian Health Service Facility Services adjustments at the 90 and 100-percent enhanced rate, respectively.

States may, in accordance with 42 CFR 1903(p)(1), pay its counties a 15 percent incentive for, "...the enforcement and collection of any support or payment assigned under section 1912, pursuant to a cooperative arrangement..." The 15 percent incentive "which is attributable to such rights of support or payment," is calculated on the CMS 64.9A and reduces the amount of the Federal share.

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

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<sup>3</sup> All dollar amounts in this report are Federal share amounts, except where noted.

## The State Agency Underreported Medicaid Collections Because of Accounting Errors

The State agency underreported Medicaid collections by \$2,805,097 after applying the 15 percent incentive reduction twice, once on the summary worksheet and then again on Form CMS 64.9A – Third Party Liability (TPL) Collections and Cost Avoidance. The total Federal share on Form CMS 64.9A carries forward to Line 9.A on the Form CMS-64 Summary.

The errors occurred because the State agency did not have proper internal control procedures in place to ensure that the Federal share was reported correctly on line 9.A of Form CMS-64.

The following table shows the difference between the Federal shares that should have been reported by quarter compared to what was reported on Line 9.A of the CMS-64. Quarters excluded from table were reported correctly.

**Table: Underreported Federal Share of Collections on Line 9.A of Form CMS-64**

<b>Period</b>	<b>Applicable FMAP</b>	<b>Federal Share Reported</b>	<b>Federal Share Owed</b>	<b>Federal Share Not Reported</b>
7/1/2012 to 9/30/2012	50%	\$1,019,228	\$1,537,072	\$517,844
10/1/2012 to 12/31/2012	50%	1,363,410	1,967,874	604,464
1/1/2013 to 3/31/2013	50%	660,099	1,142,989	482,890
4/1/2013 to 6/30/2013	50%	1,940,103	2,427,638	487,535
7/1/2013 to 9/30/2013	50%	1,368,364	2,080,728	712,364
<b>Total</b>		<b>\$6,351,204</b>	<b>\$9,156,301</b>	<b>\$2,805,097</b>

## The State Agency Did Not Report Collections Because of Accounting Errors

The State agency did not report collections of \$304,806 because of reconciliation errors between the collection amounts reported on the CMS-64 and State’s supporting detail for lines 9.A through 9.E during FFYs 2012 and 2013. We also did not report reconciliation findings for FFYs 2009 through 2011 due to the State agency’s record retention policies.<sup>4</sup>

<sup>4</sup> The State agency’s Final Record Retention Schedule, approved April 25, 2005, require records to be retained for three years or longer if audit findings have not been resolved. Once the audit findings are resolved and the three years have passed, the obligation to maintain documents expires.

The reconciliation errors occurred because the State agency did not have proper internal control procedures in place to ensure that all Federal collections were reported correctly on lines 9.A through 9.E of Form CMS-64.

The following table shows the difference between the Federal share that the State agency reported on the CMS-64 and the Federal share that was reported on the State agency's supporting documentation.

**Table: Underreported Federal Share of Collections Reconciled on Line 9.A through 9.E of Form CMS-64**

<b>Period</b>	<b>Applicable FMAP</b>	<b>Federal Share Reported</b>	<b>Federal Share Owed</b>	<b>Federal Share Not Reported</b>
1/1/2012 to 3/31/2012	50%	\$23,909,575	\$24,189,304	\$279,729
10/1/2012 to 12/31/2012	50%	13,612,410	13,612,945	535
4/1/2013 to 6/30/2013	50%	11,084,672	11,109,214	24,542
<b>Total</b>		<b>\$48,606,657</b>	<b>\$48,911,463</b>	<b>\$304,806</b>

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

As similarly reported in two prior OIG reports issued in August 2010, and May 2011, the State agency did not identify inaccurate reported amounts on Form CMS-64, due to lack of internal controls. For our review, we determined that the State agency had not corrected this issue, because the State agency used a manual process for reporting dollar amounts on Form CMS-64 that did not include a reconciliation procedure. State agency officials stated that employee inexperience, turnover, and lack of internal controls were the reasons for these discrepancies.

**RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government \$3,109,903, consisting of:
  - \$2,805,097 in underreported Federal share of collections and adjustments, and
  - \$304,806 of Federal share of collections not reported;

- 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.

### **STATE AGENCY COMMENTS**

In written comments to our draft report, the State agency concurred with our recommendations, agreed to refund \$3,109,903 to the Federal government, and said it would implement procedures in order to correctly report Medicaid overpayment collections. Lastly, the State agency said it would automate processes to correctly report amounts on the CMS-64. The State agency's comments are included in their entirety as Appendix D.

**APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>Review of Minnesota's Reporting Fund Recoveries for Federal and State Programs on the CMS-64 for the Period October 1, 2005, Through December 31, 2008.</i>	<a href="#"><u>A-05-09-00022</u></a>	8/17/2010
<i>Review of State of Minnesota Reporting Medicaid Fraud Control Unit Recoveries on the CMS-64 for the Period October 1, 2005, Through December 31, 2008.</i>	<a href="#"><u>A-05-10-00043</u></a>	5/25/2011
<i>Review of Oklahoma Collections for the Medical Assistance Program for Calendar Years 2004 Through 2009</i>	<a href="#"><u>A-06-10-00057</u></a>	12/29/2011
<i>States Inappropriately Retained Federal Funds for Medicaid Collections for the First Recovery Act Quarter</i>	<a href="#"><u>A-06-11-00064</u></a>	6/22/2012
<i>Delaware Did Not Comply With Federal Requirements To Report All Medicaid Overpayment Collections</i>	<a href="#"><u>A-03-11-00203</u></a>	6/28/2012
<i>Maryland Underreported the Federal Share of Medicaid Overpayment Collections</i>	<a href="#"><u>A-03-11-00208</u></a>	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>	<a href="#"><u>A-04-12-00085</u></a>	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>	<a href="#"><u>A-04-13-00092</u></a>	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 October 1, 2008, through September 30, 2013.

We initially selected 68 collection sample items on the basis of high total dollar amount for review totaling \$22,036,130.

We excluded from our review 17 sample items for which the State agency could not provide supporting documentation due to its 3-year record retention policy. These 17 sample items consisted of \$1,200,270 in collections. The remaining 51 sample items we reviewed represented \$20,835,860 in Medicaid collections.

Any Federal collection amounts related to Civil Monetary Penalties and reported on line 9.C will not be addressed in this report.

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 office in St. Paul, Minnesota, from November 2013 through January 2015.

### **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 enhanced 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**

### **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.<sup>5</sup>

The Recovery Act, enacted February 17, 2009, authorized the States to temporarily receive an increased rate during a specified recession adjustment period. The increased rates ranged from 56.20 percent to 84.86 percent. During our audit period, Minnesota's FMAP ranged from 50.00 percent to 61.59 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)).<sup>6</sup>

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)):

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<sup>5</sup> 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)).

<sup>6</sup> 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, § 2500.6):

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 may pay an amount equal to 15 percent of any amount collected pursuant to a cooperative arrangement for enforcement and collections of rights of support or payment assigned under section 1912 (the Act, § 1903(p)(1)). States have one 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



Minnesota Department of **Human Services**

April 10, 2015

Sheri L. Fulcher, Regional Inspector General for Audit Services  
Office of Inspector General  
Office of Audit Services, Region V  
233 North Michigan, Suite 1360  
Chicago, IL 60601

RE: Report Number A-05-14-00022

Dear Ms. Fulcher:

Thank you for giving us the opportunity to respond to your March 2015 draft audit report titled, "Minnesota Underreported the Federal Share and Did Not Accurately Report All Medicaid Overpayment Collections." We generally concur with the audit findings and recommendations, and appreciate the thoughtful, detailed approach to this project by your audit staff. It is our understanding that our response will be published in the Office of Inspector General's final audit report.

Our response to the finding and recommendations are below.

**Finding:**

The State agency did not accurately report all Medicaid collections on Form CMS-64 for FFYs 2009 through 2013. The State agency underreported the Federal share of Medicaid overpayment collections by \$2,805,097 and did not report collections of \$304,806 because of accounting errors. As a result, the State agency's claims for Federal reimbursement were overstated by \$3,109,903.

**Recommendations:**

We recommend that the State agency:

- refund to the Federal Government \$3,109,903, consisting of:
  - \$2,805,097 in underreported Federal share of collections and adjustments, and
  - \$304,806 of Federal share of collections not reported;
- 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;
- develop an automated process that will help the State agency correctly report amounts on Form CMS-64.

**Response:**

The Department concurs with the OIG recommendation to refund the Federal Government \$3,109,903 and will make the necessary adjustments on the CMS64 for the quarter ending June of .

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2015. We will consult our local CMS Finance Specialist in order to identify the best way to reflect the adjustment on the CMS64 as the OIG Report does not include this level of instruction.

The Department concurs with the OIG recommendation to implement procedures that will enable the State to correctly report Medicaid overpayment collections. As noted and acknowledged by the OIG during their field audit, the Department made key improvements to these processes in 2012 which resulted in significant improvements to the accuracy and integrity of our overpayment collection reporting. The majority of the \$304,806 finding above was related to business conducted prior to the changes made in 2012.

Specific to the \$2,805,097 finding, which was related to new worker error, we have more clearly documented this process from start to finish as well as established desk audit reviews in this area of reporting to ensure future problems do not occur.

Lastly, we concur with the OIG recommendation to automate processes to assist the Department in correctly reporting amounts on the CMS64. We plan on engaging technical resources within the Department in an attempt to identify specific processes which would lend themselves to more automation. The Department has already identified an area, Receipts Reconciliation, as one in which we will explore over the course of the next year.

The Department of Human Services will continue to evaluate the progress being made to resolve all audit findings until full resolution has occurred. If you have any further questions or need additional information, please contact Gary L. Johnson, Internal Auditor, at (651) 431-3623.

Sincerely,

  
Lucinda E. Jesson  
Commissioner

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