

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ARIZONA CORRECTLY CLAIMED
MEDICAID EXPENDITURES
FOR INDIAN HEALTH SERVICE
FACILITIES ON THE CMS-64**

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INTRODUCTION

Arizona correctly claimed Medicaid expenditures for Indian Health Service facilities at the enhanced Federal medical assistance percentage rate.

WHY WE DID THIS REVIEW

The Federal Government pays a share of a State's medical assistance expenditures under Medicaid based on the Federal medical assistance percentage (FMAP). However it reimburses States for services provided through Indian Health Service (IHS) facilities at an enhanced FMAP rate of 100 percent. A prior Office of Inspector General review¹ determined that a State agency incorrectly claimed expenditures as services provided through IHS facilities, therefore receiving unallowable Federal reimbursement. We conducted an audit of Indiana's Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program, Form CMS-64 (CMS-64)² and found that they improperly claimed Medicaid expenditures for IHS facilities, which resulted in an overstatement of the Federal share totaling \$993,451. We conducted this audit to determine whether Arizona claimed Medicaid expenditures for IHS facilities at the enhanced FMAP rate in accordance with Federal requirements.

OBJECTIVE

The objective of this review was to determine whether the State agency claimed Medicaid expenditures on the CMS-64 for IHS facilities at the enhanced FMAP rate from October 1, 2007 through September 30, 2014, in accordance with Federal requirements.

BACKGROUND

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

The Medicaid program provides medical assistance to low-income individuals and individuals with disabilities and along with the Medicare program represents one of the largest areas of spending in the Federal government. In contrast to the Medicare program, both the Federal and State governments jointly fund and administer the Medicaid program.

At the Federal level, the Centers for Medicare & Medicaid Services (CMS), an agency with the Department of Health and Human Services (DHHS), administers the Medicaid program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. In Arizona, the Arizona Health Care Cost Containment System (State agency) administers the Medicaid program. The State plan establishes which services the Medicaid program will cover.

¹ *Review of the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program in Oklahoma*, A-06-09-00097, July 5, 2011.

² *Indiana Incorrectly Reported Expenditures on the Form CMS-64 at the Enhanced Federal Medical Assistance Percentage Rate*, A-05-14-00011, May 22, 2014.

Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

The Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time. Certain Medicaid services receive a higher FMAP, including family planning services (90 percent) and services provided through an Indian Health Service (IHS) facility (100 percent). CMS's *State Medicaid Manual* instructs States to use Column (c) of the CMS-64.9 to report expenditures provided by IHS facilities.

HOW WE CONDUCTED THIS REVIEW

We selected 4 quarters with a total of \$518,195,494 in Medicaid expenditures that the State agency reported for IHS facilities in Column (c) of the CMS-64.9 from October 1, 2007 through September 30, 2014 (FFY 2008 through 2014). From the \$518,195,494, we selected \$485,590,230 to review for supporting documentation. We reviewed supporting records that the State agency maintained and did not evaluate claims submitted by providers to determine their validity.

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 A contains the details of our audit scope and methodology and Appendix B contains the Federal requirements related to reporting Medicaid expenditures at the enhanced FMAP rate.

CONCLUSION

The State agency correctly claimed Medicaid expenditures on the CMS-64 for IHS facilities at the enhanced FMAP rate from October 1, 2007 through September 30, 2014, in accordance with Federal requirements.

The State agency had adequate procedures to ensure that the Medicaid expenditures for IHS facilities were reported correctly on the CMS-64.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

From the audit period October 1, 2007 through September 30, 2014, we selected 4 quarters with a total of \$518,195,494 in Medicaid expenditures that the State agency reported for IHS facilities in Column (c) of the CMS-64.9. From the \$518,195,494, we selected \$485,590,230 to review for supporting documentation.

We limited our review of supporting documentation to records that the State agency maintained and did not evaluate claims submitted by providers to determine their validity. 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 reporting Medicaid expenditures on the CMS-64 report.

We conducted our audit work from January through March 2015.

METHODOLOGY

To accomplish our objectives, we:

- reviewed applicable Federal laws and regulations and the State plan sections;
- interviewed State agency officials to obtain an understanding of their policies and procedures for reporting Medicaid expenditures on the CMS-64 report;
- traced expenditures reported for IHS facilities to detailed records and analyzed those records; 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 objectives.

APPENDIX B: FEDERAL REQUIREMENTS

FEDERAL REQUIREMENTS FOR REPORTING MEDICAID EXPENDITURES AT THE INDIAN HEALTH SERVICE FACILITIES RATE

Section 1905(b) of the Act and 42 CFR § 433.10(c)(2) authorize reimbursement for services provided through IHS facilities at 100 percent.

The CMS State Medicaid Manual (the Manual) section 2500.2(C) states the FMAP is 100 percent for services received by Indians through an IHS facility, whether operated by the IHS, an Indian Tribe, or a tribal organization. The Manual states to use Column (c) of Form CMS-64.9 to report expenditures for medical assistance made in accordance with the Indian Health Care Improvement Act (P.L. No. 94-437).