

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**ALASKA INCORRECTLY CLAIMED  
MEDICAID EXPENDITURES FOR INDIAN  
HEALTH SERVICE FACILITIES ON THE  
CMS-64**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
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Sheri L. Fulcher  
Regional Inspector General  
for Audit Services

December 2015  
A-05-15-00017

# *Office of Inspector General*

<http://oig.hhs.gov>

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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.

## INTRODUCTION

***Alaska incorrectly claimed \$1,380,154 of Medicaid expenditures for Indian Health Service facilities on the Form CMS-64.***

### 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. Prior Office of Inspector General reviews<sup>1</sup> determined that a State agency incorrectly claimed expenditures as services provided through IHS facilities, therefore receiving unallowable Federal reimbursement. We conducted the current review to determine whether Alaska claimed Medicaid expenditures for IHS facilities at the enhanced FMAP rate in accordance with Federal requirements.

### OBJECTIVE

Our objective was to determine whether 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.

### 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 Alaska, the Alaska Department of Health and Social Services (State agency) administers the Medicaid program. The State plan establishes which services the Medicaid program will cover. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

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<sup>1</sup> *Review of the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program in Oklahoma*, (A-06-09-00097, issued July 5, 2011 and *Indiana Incorrectly Reported Expenditures on the Form CMS-64 at the Enhanced Federal Medical Assistance Percentage Rate*, (A-05-14-00011, issued May 22, 2014).

The Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the 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 base Form CMS-64.9<sup>2</sup> to report expenditures provided by IHS facilities.

## HOW WE CONDUCTED THIS REVIEW

We selected 4 quarters with a total of \$315,950,099 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 \$315,950,099 we judgmentally selected \$311,115,367 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.

## FINDING

The State agency did not always claim the correct Medicaid amount as IHS expenditures from October 1, 2007 through September 30, 2014, in accordance with Federal requirements. The State agency overstated the Federal share of IHS Medicaid expenditures on the CMS-64.9 by \$1,380,154. Specifically:

- For the quarter ending June 30, 2011, the State agency overstated IHS expenditures by \$1,161,495 by using the wrong formula in a CMS-64 supporting spreadsheet.
- For the quarter ending September 30, 2011, the State agency overstated IHS expenditures by \$218,749 by making an incorrect financial adjustment.

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<sup>2</sup> *State Medicaid Manual* section 2500.2(A) instructs States to "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 64.9p".

- For the quarter ending June 30, 2012, the State agency understated IHS expenditures by \$90 by entering the wrong line total in supporting documentation.

These errors occurred because the State agency did not have adequate review procedures to identify data entry errors in the supporting documents of the CMS-64.

### **RECOMMENDATION**

We recommend that the State agency:

- refund to the Federal Government \$1,380,154, and
- establish review procedures to ensure that all IHS expenditures are reported correctly on the Form CMS-64.

### **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our recommendations and described corrective actions it had taken and planned to take. The State agency's comments are included in their entirety as Appendix C.

## **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 \$315,950,099 in Medicaid expenditures that the State agency reported for IHS facilities in Column (c) of the CMS-64.9. From the \$315,950,099 we judgmentally selected \$311,115,367 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 June 2015.

### **METHODOLOGY**

To accomplish our objectives, 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 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).

APPENDIX C: STATE AGENCY COMMENTS



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of  
Health and Social Services

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November 30, 2015

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

Dear Ms. Fulcher:

RE: Response to U.S. Department of Health and Human Services, Office of Inspector General (OIG), and draft report entitled Alaska Incorrectly Claimed Medicaid Expenditures for Indian Health Service Facilities on the CMS-64 for the period of October 1, 2007 to September 30, 2014.

We appreciate the opportunity to review and evaluate the audit report and associated recommendations as shared in your correspondence dated October 30, 2015. The State of Alaska Department of Health and Social Services (AK DHSS) concurs with the findings and has the following to share on the recommendations.

1. **Refund to the federal government \$1,380,154:** AK DHSS has completed the CMS 64 reporting expenditure adjustment for the total of \$1,161,495 in QE 03/31/2015 and the remaining expenditure adjustments are pending the QE 12/31/2015 CMS 64 report. The total amount to be refunded to the federal government may differ from the \$1,380,154 because the error identified was associated with spreadsheets used to prepare the CMS 64 quarterly expenditure reports and the federal draws are completed based on actual expenditures reported in the state's accounting system. A final review of the revenues reported as compared to the expenditures reported for these quarters will need to be completed to verify the total refund.
2. **Establish review procedures to ensure that all IHS expenditures are reported correctly on the Form CMS-64:** AK DHSS established written processes and procedures for completing the CMS 64 in FFY 2012, after the period of time that these reporting errors

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occurred (QE 06/30/11 and QE 09/30/11). The P&P has been updated periodically and includes an independent validation process.

Thank you for the opportunity to provide additional insight on this report and its recommendations.

Sincerely,



Jon Sherwood  
Deputy Commissioner

Cc: Sana P. Efird, Assistant Commissioner  
Jon Sherwood, Deputy Commissioner  
Margaret Brodie, Director of Health Care Services  
Renee Gayhart, Indian Health Services Program Manager  
Doug Jones, Manager of Medicaid Program Integrity Unit  
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Valeria Buschfort, Manager of Revenue Unit and Co-Finance Officer