



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
1100 Commerce, Room 632
Dallas, TX 75242

May 1, 2009

Report Number: A-06-07-00097

Mr. Larry Heyeck
Deputy Director
New Mexico Human Services Department
Medical Assistance Division
P.O. Box 2348
Santa Fe, New Mexico 87504-2348

Dear Mr. Heyeck:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of New Mexico Developmental Disabilities Home and Community Based Services Waiver." We will forward a copy of this report to the HHS action official noted below.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-06-07-00097 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Gordon L. Sato".

Gordon L. Sato
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

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

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF NEW MEXICO
DEVELOPMENTAL DISABILITIES
HOME AND COMMUNITY-BASED
SERVICES WAIVER**



Daniel R. Levinson
Inspector General

May 2009
A-06-07-00097

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC

at <http://oig.hhs.gov>

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

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

Section 1915(c) of the Social Security Act (the Act) authorizes the Medicaid Home and Community-Based Services (HCBS) waiver program. HCBS waiver programs, which must be approved by the Centers for Medicare & Medicaid Services (CMS), allow States to claim reimbursement for services not usually covered by Medicaid. Program services generally are provided to Medicaid-eligible beneficiaries in a community setting rather than an institutional setting.

The Federal Government pays its share of most types of medical assistance expenditures according to a formula defined in section 1905(b) of the Act. That share is based on the Federal medical assistance percentage for each State, which can range from 50 to 83 percent for costs directly related to a program. The Federal matching rate for New Mexico for these costs during the State fiscal year ending June 30, 2005, was 74.3 or 74.85 percent, depending on the quarter. The Federal matching rate for all States for different categories of administrative costs ranges from 50 to 100 percent.

One of the HCBS waiver programs available in New Mexico is the Developmental Disabilities Home and Community-Based Services waiver (Program), which serves individuals with mental and developmental disabilities that occur before the age of 22. The Program provides long-term support and services to families and individual beneficiaries so that beneficiaries may remain in their homes or small community living residences.

The New Mexico Human Services Department, Medical Assistance Division (the State agency), oversees the operation of the Program; the New Mexico Department of Health is responsible for day-to-day operations. The departments cooperate in administering the waiver under a joint powers agreement that delineates each department's responsibilities. The State agency reported direct Program expenditures of \$225,062,250 (\$167,528,117 Federal share) for the State fiscal year ending June 30, 2005.

State Medicaid agencies report benefit costs of waiver programs on Form CMS-64.9 and administrative expenses on Form CMS-64.10. CMS uses this information to compute the amount of Federal financial participation it contributes toward a State's Medicaid costs.

OBJECTIVE

Our objective was to determine whether the State agency claimed Program expenditures for allowable services in compliance with Federal and State requirements.

RESULTS OF REVIEW

The services in our randomly selected sample of 30 paid Program claims complied with Federal and State requirements. Accordingly, this report contains no finding or recommendations.

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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.

The Federal Government pays its share of most types of medical assistance expenditures according to a formula defined in section 1905(b) of the Act. That share is based on the Federal medical assistance percentage for each State, which can range from 50 to 83 percent for costs directly related to the program. The Federal matching rate for New Mexico for these costs during the quarter ended September 30, 2004, was 74.85 percent. For the three quarters ending June 30, 2005, the Federal matching rate was 74.3 percent. The Federal matching rates for all States for different categories of administrative costs range from 50 to 100 percent.

Section 1915(c) Waivers

Section 1915(c) of the Act authorizes the Medicaid Home and Community-Based Services (HCBS) waiver program. HCBS waiver programs, which must be approved by CMS, allow States to claim reimbursement for services not usually covered by Medicaid. HCBS waiver program services generally are provided to Medicaid-eligible beneficiaries in a community setting rather than an institutional setting. HCBS waiver program services complement and/or supplement the services that are available to participants through the State Medicaid plan and other Federal, State, and local programs.

With CMS approval and pursuant to section 1915(c)(4)(B), States determine the services that may be provided under the HCBS waiver program, including:

. . . case management services, homemaker/home health aide services and personal care services, adult day health services, habitation services, respite care, and such other services requested by the State as the Secretary may approve and for day treatment or other partial hospitalization services, psychological rehabilitation services, and clinic services (whether or not furnished in a facility) for individuals with chronic mental illness.

New Mexico Developmental Disabilities Waiver

One of the HCBS waiver programs available in New Mexico is the Developmental Disabilities Home and Community-Based Services waiver (Program), which serves individuals with mental and developmental disabilities that occur before the age of 22. The Program provides long-term

support to families and individual beneficiaries so that the beneficiaries may remain in their homes or small community living residences. The Program sets specific dollar limits on the services and support that can be offered based on an individual's needs.

The New Mexico Human Services Department, Medical Assistance Division (the State agency), oversees the operation of the waiver; the New Mexico Department of Health (the DOH) is responsible for day-to-day operations. The departments cooperate in administering the waiver under a joint powers agreement that delineates each department's responsibilities. The State agency reported direct Program expenditures of \$225,062,250 (\$167,528,117 Federal share) for the State fiscal year ending June 30, 2005.

Medicaid Program Expenditure Reporting

State Medicaid agencies report program benefit costs and administrative expenses to CMS on the "Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program" (Form CMS-64). State Medicaid agencies report benefit costs of waiver programs on Form CMS-64.9 and administrative expenses on Form CMS-64.10. CMS uses this information to compute the amount of Federal financial participation that it contributes toward a State's Medicaid costs.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed Program expenditures for allowable services in compliance with Federal and State requirements.

Scope

We reviewed the \$225,062,250 in direct Program expenditures claimed on Forms CMS-64 during the State fiscal year ending June 30, 2005. We limited our review of the State agency's internal controls to the policies and procedures for administering the Program and reporting expenditures on the quarterly Form CMS-64. We performed our fieldwork at the State agency in Santa Fe, New Mexico.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and CMS guidance pertaining to HCBS waivers;
- interviewed State agency and DOH officials to gain an understanding of Program services and cost reporting;
- obtained a list of all paid Program claims for the period July 1, 2004, through June 30, 2005;

- reviewed a random sample of 30 paid Program claims to determine whether the services were provided in accordance with Federal and State requirements; and
- compared the amount of all paid claims to the amount claimed on Forms CMS-64 and investigated any differences.

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 finding and conclusions based on our audit objective.

RESULTS OF REVIEW

The services in our randomly selected sample of 30 paid Program claims complied with Federal and State requirements. Accordingly, this report contains no finding or recommendations.