

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**TEXAS INAPPROPRIATELY
RECEIVED MEDICAID MEDICAL
ASSISTANCE FUNDING FOR
SOME COSTS**

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



Patricia Wheeler
Regional Inspector General
for Audit Services

February 2016
A-06-15-00054

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

Texas inappropriately received approximately \$570,000 in Federal Medicaid medical assistance funding.

WHY WE DID THIS REVIEW

While conducting an audit at the Texas Health and Human Services Commission (HHSC), we found that the Texas Department of Aging and Disability Services (State agency), a sister agency to HHSC, had incorrectly claimed some costs that were not for medical services as Medicaid medical assistance expenditures. We conducted this review to determine the full extent of this incorrect claiming.

OBJECTIVE

Our objective was to identify costs that the State agency incorrectly claimed as Medicaid medical assistance expenditures from October 1, 2010, through December 31, 2013, and determine the additional Federal share that was received.

BACKGROUND

Medicaid Program

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 program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. In Texas, HHSC administers the Medicaid program. 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 (Federal share) of a State's Medicaid medical assistance expenditures based on the Federal Medical Assistance Percentage (FMAP), which varies depending on the State's relative per capita income. The State agency's regular FMAPs during the audit period ranged from 58.22 percent to 70.94 percent. Additionally, the Federal share of most Medicaid administrative costs is 50 percent.

Within 30 days after the end of each quarter, States report to CMS expenditures and the associated Federal share on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64 report). The amounts that States report must represent actual expenditures.

The State Agency's Costs

Camps for Deafblind Individuals With Multiple Disabilities

The State agency funds camps for individuals who are deafblind with multiple disabilities.¹ These individuals would otherwise be unable to participate in such camps.

The State Supported Employment Services Program

Under the State Supported Employment Services Program, Texas provides services such as on-the-job skills training and job station redesign for individuals with disabilities who need assistance to obtain or retain competitive employment.

Electronic Visit Verification

Electronic visit verification (EVV) is a telephone- and computer-based system used to electronically verify that beneficiaries actually received Medicaid medical services.

HOW WE CONDUCTED THIS REVIEW

From October 1, 2010, through December 31, 2013, the State agency claimed \$2,920,273 in costs that were not for medical services as Medicaid medical assistance expenditures and received \$1,775,286 in medical assistance funding for them. We reviewed the vouchers supporting the costs and determined the appropriate Federal matching percentage that the State agency should have applied. We then calculated the difference between the Federal share that the State agency received and the Federal share that the State agency should have received.

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.

FINDINGS

The State agency incorrectly claimed \$2,920,273 in costs as Medicaid medical assistance expenditures and inappropriately received \$567,892 in Federal share.

The Social Security Act (the Act) states that Federal financial participation is available only for the total amount expended as medical assistance and for the proper and efficient administration of the CMS-approved State plan (§ 1903(a)(1) and (a)(7)). The State agency claimed \$505,485, and received \$307,097 Federal share, for costs related to camps for individuals who are deafblind

¹ Deafblindness is a combination of sight and hearing loss. It affects a person's ability to communicate, access information, and get around.

with multiple disabilities and the State Supported Employment Services Program. These costs were not Medicaid program costs; therefore, the State agency should not have received any Federal share for them.

The Federal share of medical assistance expenditures is based on the FMAP, and the Federal share of most Medicaid administrative costs is 50 percent (the Act § 1903(a)(1) and (a)(7)). The State agency claimed \$2,414,788 in Medicaid administrative costs related to EVV at the regular FMAP, which ranged from 58.22 percent to 70.94 percent during our audit period, and received \$1,468,189 Federal share for them. These administrative costs were eligible only for the 50-percent Federal share rate, so the State agency should have received only \$1,207,394. As a result, the State agency inappropriately received \$260,795 in additional Federal share.

The State agency incorrectly claimed the costs because they were mistakenly coded as Medicaid medical assistance expenditures in its accounting system. The State agency corrected the coding mistake after our audit period.

RECOMMENDATION

We recommend that the State agency refund \$567,892 to the Federal Government.

STATE AGENCY COMMENTS

The State agency concurred with our recommendation and stated that it instituted additional reviews in expenditure coding to prevent future errors. The State agency's comments appear in their entirety as Appendix B.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

From October 1, 2010, through December 31, 2013, the State agency claimed \$2,920,273 in costs that were not for medical services as Medicaid medical assistance expenditures and received \$1,775,286 in medical assistance funding for them.

Our objective did not require a review of the State agency's overall internal control structure. Therefore, we limited our internal control review to the State agency's procedures for claiming the audited costs on the CMS-64 report.

We conducted fieldwork at the State agency's offices in Austin, Texas.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations,
- reviewed the vouchers supporting the costs,
- determined the appropriate Federal matching percentage that the State agency should have applied,
- calculated the difference between the Federal share that the State agency received and the Federal share that the State agency should have received, 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: STATE AGENCY COMMENTS



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

CHRIS TRAYLOR
EXECUTIVE COMMISSIONER

February 11, 2016

Patricia Wheeler
Regional Inspector General for Audit Services
Office of Audit Services, Region VI
Office of the Inspector General
U. S. Department of Health and Human Services
1100 Commerce Street, Room 632
Dallas, Texas 75242

Dear Ms. Wheeler:

Thank you for your letter dated January 20, 2016, regarding draft report A-06-15-00054, entitled *Texas Inappropriately Received Medicaid Medical Assistance Funding for Some Costs*. We appreciate the opportunity to review and respond to the report's findings.

We concur with the draft report's principal finding that Texas, in the period between October 1, 2010, and December 31, 2013, inappropriately received \$567,892 in federal funding associated with the camps for deaf/blind individuals with multiple disabilities, the state supported employment services program, and electronic visit verification. As stated in the draft report, the Texas Department of Aging and Disability Services (DADS) did inaccurately code certain expenditures for each program in its accounting system, resulting in inaccurate cost claims. As also stated in the report, DADS has corrected the coding mistake. The agency has instituted additional reviews in its coding of expenditures to prevent future errors.

An appropriate refund of \$567,892 will be made to the U. S. Department of Health and Human Services as soon as possible.

If you have any questions or need additional information, please contact David Cook, DADS Chief Financial Officer, at (512) 438-3355 or David.Cook@dads.state.tx.us.

Sincerely,

A black rectangular redaction box covering the signature of Chris Traylor.

Chris Traylor

P. O. Box 13247 • Austin, Texas 78711 • 4900 North Lamar, Austin, Texas 78751 • (512) 424-6500

bcc: Jon Weizenbaum
Stuart Bowen
David Cook