

Report in Brief

Date: September 2022
Report No. A-06-19-09002

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

In 2011, the Centers for Medicare & Medicaid Services (CMS) approved the Texas Healthcare Transformation and Quality Improvement Program demonstration waiver (the waiver). As a part of the waiver, Texas established uncompensated care (UC) payments to offset eligible UC costs hospitals and other providers incurred. UC payments help defray uncompensated costs of care provided to Medicaid-eligible and uninsured individuals. The waiver established a maximum amount, \$17.58 billion, that would be paid under the UC program during the first 5 demonstration years (Dys). UC payments have a significant financial impact on Texas health care providers. Further, a previous Office of Inspector General audit identified substantial unallowable payments Florida made under a similar type of program.

Our objective was to determine whether Texas claimed UC payments in accordance with applicable Federal and State requirements.

How OIG Did This Review

We reviewed \$16.95 billion (\$9.89 billion Federal share) in UC payments distributed for UC costs incurred from December 12, 2011, through September 30, 2016 (Dys 1 through 5).

Texas Claimed or May Have Claimed More Than \$30 Million of \$9.89 Billion in Federal Funds for Medicaid Uncompensated Care Payments That Did Not Meet Federal and State Requirements

What OIG Found

Texas claimed \$16.90 billion (\$9.86 billion Federal share) in UC payments in accordance with applicable Federal and State requirements. However, Texas incorrectly claimed \$18.90 million (\$11.05 million Federal share). Specifically, Texas claimed (1) \$12.91 million (\$7.51 million Federal share) because it did not refund the full Federal share of overpayments and (2) \$5.99 million (\$3.54 million Federal share) because it did not collect overpayments it identified.

Additionally, the State agency may have incorrectly claimed \$33.78 million (\$19.66 million Federal share) because it did not reduce hospitals' actual UC costs by Medicare payments the hospitals received.

What OIG Recommends and Texas Comments

We recommend that Texas (1) work with CMS to determine whether the \$33.78 million in UC payments hospitals retained because costs were not reduced by the Medicare payments they received should be recouped and, if so, either refund the related Federal share of \$19.66 million to the Federal Government or redistribute the recouped funds to hospitals that had unmet UC costs; (2) refund \$11.05 million to the Federal Government for the underreported UC overpayments; (3) follow the CMS-approved methodology for calculating actual UC costs when reconciling initial UC payments with providers' actual UC costs, including reducing UC costs by Medicare payments providers receive; and (4) establish review procedures for overpayments to ensure that they are accurately entered into the State agency's accounting system and returned to the Federal Government.

Texas concurred with our second, third, and fourth recommendations, and provided information on actions it had taken or planned to take in relation to these recommendations. Texas did not concur with our first recommendation because it said there was no valid requirement in place for costs to be offset by Medicare payments. After review and consideration of Texas' comments, we maintain that our finding, as modified, is valid, but adjusted our first recommendation from a recoupment of funds to working with CMS to determine the correct course of action.