



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

JAN 12 2005

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

Report Number A-07-04-01004

Ms. Christine Rackers
Director, Division of Medical Services
P.O. Box 6500
615 Howerton Court
Jefferson City, Missouri 65102-6500

Dear Ms. Rackers:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) report entitled "Managed Care Family Planning Claimed by Missouri" for Federal fiscal years ending September 30, 2001, 2002 and 2003. A copy of this report will be forwarded to the HHS action official on the next page for his review.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports are made available publicly to the extent information contained therein is not subject to exemptions of the Act that the Department chose to exercise (See 45 CFR part 5).

If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, ext. 225, or Chris Bresette, Audit Manager, at (816) 426-3591, ext. 228, or through email at Chris.Bresette@oig.hhs.gov. Please refer to report number A-07-04-01004 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "James P. Aasmundstad".

James P. Aasmundstad
Regional Inspector General
for Audit Services

Enclosures – as stated

cc: Michael Rehagen

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Direct Reply to HHS Action Official:

Richard Brummel
Acting Regional Administrator, Region VII
Centers for Medicare & Medicaid Services
Richard Bolling Federal Building
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MANAGED CARE FAMILY PLANNING
CLAIMED BY MISSOURI**



**JANUARY 2005
A-07-04-01004**

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The OIG's Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the department.

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Notices

**THIS REPORT IS AVAILABLE TO THE PUBLIC
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In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, Office of Audit Services, reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the awarding agency will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

Congress established the Medicaid program under Title XIX of the Social Security Act (the Act) to pay the medical assistance costs for persons with limited income and resources. Each State administers its Medicaid program in accordance with a State plan approved by the Centers for Medicare & Medicaid Services (CMS) to ensure compliance with Federal requirements. Congress amended sections 1903(a)(5) and 1905(a)(4) of the Act to promote family planning services. Although not specified in the Act, CMS defines family planning services as services that prevent or delay pregnancy, or otherwise control family size. The Federal share, or Federal Financial participation (FFP), of providing family planning services is 90 percent (enhanced rate) of actual costs.

In Missouri, the Department of Social Services, Division of Medical Services (Missouri) administers the Medicaid program and is responsible for providing family planning services. Missouri determined the family planning costs associated with Medicaid managed care (family planning) by applying a rate (factor) to capitation payments for managed care organizations. Missouri developed the factor in 2001 with the assistance of a contractor.

Although Missouri did not begin claiming family planning costs under managed care until June 2001, it has received \$67.4 million (Federal share) for October 1999 to December 2003. Of the \$67.4 million FFP, \$21.9 million represents the difference between the 90 percent enhanced rate and what would have been allowed at Missouri's regular FFP rates for non-family planning services.

OBJECTIVE

The objective of our audit was to determine if Missouri's methodology to claim Medicaid family planning costs under managed care complied with Federal laws and regulations.

SUMMARY OF FINDINGS

Missouri's methodology for identifying family planning generally complied with Federal laws and regulations in place during the audit period.

INTRODUCTION

BACKGROUND

Medicaid Family Planning Services

Congress established the Medicaid program under Title XIX of the Act to pay for medical assistance costs for persons with limited income and resources. Each State administers its Medicaid program in accordance with a State plan approved by CMS to ensure compliance with Federal requirements.

Congress amended sections 1903(a)(5) and 1905(a)(4) of the Act in 1972 to promote family planning services. Although not specified in the Act, CMS defines family planning services as services that prevent or delay pregnancy, or otherwise control family size (§ 4270 of the State Medicaid Manual). Services include sterilization; counseling services and patient education; examination and treatment by medical professionals in accordance with applicable State requirements; laboratory examinations and tests; medically approved methods, procedures, pharmaceutical supplies and devices to prevent conception; and infertility services, including sterilization reversals. CMS's "Title XIX Financial Management Review Guide (Number 20): Family Planning Services," (CMS Guide), provides guidance to determine if States' claims for family planning services are allowable. States receive 90 percent FFP for family planning services.

States report Medicaid expenditures on "Form CMS 64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program" (CMS 64).

Missouri Family Planning Services

In Missouri, the Department of Social Services, Division of Medical Services administers the Medicaid program. Missouri's Medicaid recipients receive care through either a fee-for-service delivery system or a managed care delivery system, depending on where the recipient lives. Of the \$4.6 billion in Medicaid expenditures reported for State fiscal year (FY) 2003, \$656 million represented managed care payments.

Although Missouri's managed care programs began in October 1995, it did not identify and claim family planning until the quarter ending March 2001. Missouri calculated family planning by multiplying total capitation payments by a factor determined by a third-party liability contractor.

The contractor created the factor by dividing family planning fee-for-service costs by total fee-for-service costs. The contractor used summary level reports prepared by actuaries that showed 1994 expenditures in the counties converting to managed care. The resulting factor of 2.12 percent was multiplied by total capitation payments to determine family planning claims for Federal FYs 1996 through 2003. Since Missouri

began claiming family planning, it has received \$67.4 million (Federal share) at the enhanced 90 percent Federal match, which represents a \$21.9 million increase over what would have been allowed at Missouri's regular FFP rates (see Appendix).

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objective of our audit was to determine if Missouri's methodology to claim Medicaid family planning costs under managed care complied with Federal laws and regulations.

Scope

Our review covered the methodology Missouri used to create the factor for family planning. We also reviewed how Missouri used that factor to determine the family planning amounts claimed on expenditure reports for Federal FYs 2001 - 03, including retroactive claims to Federal FY 1996 (see Appendix). We limited our review of internal controls to controls pertinent to the factor that Missouri used to claim family planning.

This review was done in conjunction with our review of Missouri's retroactive family planning claims (A-07-04-01012). The information obtained and reviewed during the audit was also used in performing this review.

Methodology

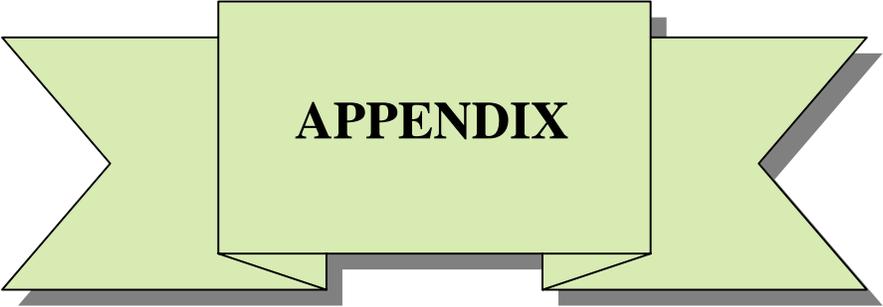
To verify that Missouri used a methodology to identify family planning that complied with Federal laws and regulations we:

- reviewed Sections 1903(a)(5) and 1905(a)(4) of the Act, Federal Medicaid regulations, CMS' State Medicaid Manual, policy memorandums, the CMS Guide, and Missouri's State Medicaid Plan
- evaluated the reasonableness of the methodology used to compute the factor
- traced the costs included in the factor to actuarial, summary-level data
- verified the allowability of the amounts in the factor identified as Medicaid family planning payments to the requirements of the CMS Guide
- verified that the amounts claimed for family planning on the expenditure reports for Federal FYs 2001 - 03 were based on the correct application of the family planning factor applied to managed care payments reported on the expenditure reports

Our fieldwork was performed at the Missouri Division of Medical Services in Jefferson City, Missouri. We performed the review in accordance with generally accepted government auditing standards.

CONCLUSION

Missouri's methodology for identifying family planning generally complied with Federal laws and regulations in place during the audit period. Therefore, we have no recommendations for corrective actions.



APPENDIX

MISSOURI FAMILY PLANNING
CLAIMED ON EXPENDITURE REPORTS FILED DURING THE PERIOD
OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2003

<u>Federal Fiscal Year</u>	<u>Family Planning @ 90%</u>	<u>Regular FFP</u>	<u>Enhanced Family Planning Portion</u>
2003	\$13,476,046	\$9,168,203	\$4,307,843
2002	12,305,055	8,348,296	3,956,759
2001	10,203,008	6,918,773	3,284,235
2000*	8,226,073	5,530,663	2,695,410
1999*	6,973,092	4,667,323	2,305,769
1998*	6,545,426	4,413,071	2,132,355
1997*	5,784,797	3,859,102	1,925,695
1996*	<u>3,905,077</u>	<u>2,605,988</u>	<u>1,299,089</u>
Total Reviewed	<u>\$67,418,574</u>	<u>\$45,511,419</u>	<u>\$21,907,155</u>

* Family planning for Federal FYs 1996 to 2000 was claimed on the March 2001 quarterly expenditure report.