



Region VII  
601 East 12<sup>th</sup> Street  
Room 0429  
Kansas City, Missouri 64106

December 13, 2010

Report Number: A-07-10-01084

Mr. Scott Brunner  
Chief Financial Officer  
Kansas Health Policy Authority  
900 SW. Jackson Street, 900 N  
Topeka, KS 66612-1220

Dear Mr. Brunner:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Kansas's Compliance With the Federal Prompt Payment Requirements*. We will forward a copy of this report to the HHS action official noted below.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted 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-07-10-01084 in all correspondence.

Sincerely,

/Patrick J. Cogley/  
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, IL 60601

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF KANSAS'S  
COMPLIANCE WITH THE  
FEDERAL PROMPT  
PAYMENT REQUIREMENTS**



Daniel R. Levinson  
Inspector General

December 2010  
A-07-10-01084

# *Office of Inspector General*

<http://oig.hhs.gov>

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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 & 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:

## *Office of Audit Services*

The Office of Audit Services (OAS) provides 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. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## *Office of Investigations*

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **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

### 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 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.

Pursuant to section 1905(b) of the Act, the Federal Government pays its share of a State's medical assistance expenditures under the Medicaid program based on the Federal medical assistance percentage (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.

#### Prompt Pay Requirements

Section 1902(a)(37)(A) of the Act and implementing regulations (42 CFR § 447.45) specify prompt pay requirements. Pursuant to 42 CFR § 447.45(d)(2), a State Medicaid agency "... must pay 90 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 30 days of the date of receipt." Pursuant to 42 CFR § 447.45(d)(3), a State Medicaid agency must pay 99 percent of such claims within 90 days of the date of receipt. Pursuant to 42 CFR § 447.45(d)(5), the date of receipt is the date the agency receives the claim, as indicated by its date stamp on the claim. Pursuant to 42 CFR § 447.45(d)(6), the date of payment is the date of the check or other form of payment.

#### Kansas State Medicaid Program

The Kansas Health Policy Authority (State agency) administers the Medicaid program and oversees compliance with Federal and State requirements. Since 2002, the State agency has contracted with Hewlett-Packard Enterprise Services (Hewlett-Packard) to operate the Medicaid Management Information System (MMIS), a computerized payment and information reporting system that processes and pays Medicaid claims, and to serve as the fiscal agent for the State's Medicaid program.

The State agency then reports these Medicaid payments to CMS for reimbursement purposes using standard Form CMS-64, *Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program* (CMS-64 report). CMS reimburses the State agency based on the Federal medical assistance percentage (reimbursement rate) for the majority of claimed Medicaid expenditures.

For the period July 1 through September 30, 2009, the State agency claimed expenditures totaling approximately \$479 million for 5,376,631 claims on the CMS-64 report for the quarter ended September 30, 2009.

## **OBJECTIVE**

Our objective was to determine whether the State agency complied with Federal prompt pay requirements.

## **RESULTS OF REVIEW**

The State agency complied with Federal prompt pay requirements. Specifically, the State agency paid 99 percent of the 5,376,631 claims whose associated expenditures had been claimed on the CMS-64 report within 30 days of the date of receipt. Therefore, we have no 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 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.

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#### Kansas State Medicaid Program

The Kansas Health Policy Authority (State agency) administers the Medicaid program and oversees compliance with Federal and State requirements. The State agency uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process and pay Medicaid claims. Since 2002, the State agency has contracted with Hewlett-Packard Enterprise Services (Hewlett-Packard) to operate the MMIS and to serve as the fiscal agent for the State's Medicaid program.

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<sup>1</sup> In general, a State Medicaid agency must pay all other claims within 12 months of the date of receipt.

medical assistance percentage (reimbursement rate) for the majority of claimed Medicaid expenditures.

For the period July 1 through September 30, 2009, the State agency claimed expenditures totaling approximately \$479 million for 5,376,631 claims on the CMS-64 report for the quarter ended September 30, 2009.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the State agency complied with Federal prompt pay requirements.

### **Scope**

The audit scope included the approximately \$479 million in Medicaid expenditures that the State agency claimed on the CMS-64 report for the quarter ended September 30, 2009.

We did not assess the State agency's overall internal control structure. We limited our review of internal controls to those applicable to our objective, which did not require an understanding of all internal controls over the Medicaid program. We reviewed the State agency's procedures for ensuring compliance with the Federal prompt pay requirements.

We performed our fieldwork at the State agency's offices in Topeka, Kansas, and at our regional offices in Kansas City, Missouri, from January through October 2010.

### **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and CMS guidance;
- reviewed the prompt payment requirements contained in the State agency's State Medicaid plan;
- met with State agency officials to gain an understanding of the State agency's policies and procedures for ensuring compliance with prompt pay requirements;
- obtained and reviewed the prompt pay provisions of the State agency's contract with Hewlett-Packard;
- obtained a detailed list of all expenditures claimed by the State agency<sup>2</sup> and reconciled these expenditures to the CMS-64 report for the quarter ended September 30, 2009; and

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<sup>2</sup> These expenditures would include all clean claims that were paid for and claimed on the CMS-64 report for the quarter ended September 30, 2009.

- determined, for each date of payment, whether the State agency complied with the Federal prompt pay requirements by:
  - determining the date of payment;
  - computing, for each claim, the number of days between the date of receipt and the date of payment;
  - determining the total number of claims paid within 30 days and within 90 days; and
  - calculating the percentage of claims paid within 30 days and within 90 days.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### **RESULTS OF REVIEW**

The State agency complied with Federal prompt pay requirements. Specifically, the State agency paid 99 percent of the 5,376,631 claims whose associated expenditures had been claimed on the CMS-64 report within 30 days of the date of receipt. Therefore, we have no recommendations.