CALIFORNIA IMPROPERLY CLAIMED FEDERAL MEDICAID REIMBURSEMENT FOR CERTAIN NONEMERGENCY SERVICES

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EXECUTIVE SUMMARY

California did not correctly identify all nonreimbursable claims for nonemergency services provided to qualified aliens, resulting in $9.9 million in unallowable Federal Medicaid reimbursement over 5 years.

WHY WE DID THIS REVIEW

Federal health care benefits are generally allowable when provided to a beneficiary who is a U.S. citizen, U.S. national, or qualified alien. In general, a qualified alien is not permitted to receive Federal benefits until 5 years from the date he or she enters the United States with qualified alien status. States must have a system that verifies whether qualified aliens have met the required waiting period. In a previous review, we found data processing errors in the California Department of Health Care Services (State agency) system that identifies claims for services provided to qualified aliens for which Federal reimbursement is unallowable (nonreimbursable claims). Because these errors resulted in the State agency potentially claiming unallowable Federal Medicaid reimbursement for nonemergency services provided to some qualified aliens, we conducted this focused review of the State agency’s verification system.

Our objective was to determine whether the State agency correctly identified all nonreimbursable claims for nonemergency services provided to qualified aliens.

BACKGROUND

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 required States to have a verification system to meet requirements for receiving Federal reimbursement for services provided to qualified aliens. Qualified aliens are generally not permitted to receive Federal Medicaid benefits (other than services necessary to treat an emergency medical condition and, at the State’s option, services provided to certain lawfully residing children and pregnant women) for 5 years from the date they enter the United States with qualified alien status. States must ensure that the system verifies that qualified aliens have met this requirement.

To comply with Federal requirements, the State agency created the quarterly alien claiming adjustment report (adjustment report) in its Medicaid Management Information System (MMIS) to identify claims for services provided to qualified aliens who had not met, and were not otherwise excepted from, the 5-year waiting period. The State agency is not permitted to claim Federal reimbursement for these services. The State agency must return the Federal share of any overpayments resulting from data processing errors in the MMIS.

HOW WE CONDUCTED THIS REVIEW

For the quarters ended June 2010, September 2010, June 2011, June 2012, June 2013, and June 2014 (audit period), the State agency identified $215.9 million ($121.1 million Federal share) on its adjustment reports as nonemergency services provided to qualified aliens for which it did not claim Federal Medicaid reimbursement. We reviewed selected quarters in which claims were approved for payment in one quarter but paid in a subsequent quarter. To determine
whether the State agency correctly identified all claims for the adjustment reports, we limited our review to the MMIS program that created the adjustment report. We did not review the medical necessity of services provided or review beneficiary documentation to confirm the State agency’s eligibility determinations.

WHAT WE FOUND

The State agency did not correctly identify all nonreimbursable claims for nonemergency services provided to qualified aliens. Specifically, the State agency’s MMIS did not identify all claims for its adjustment reports for the audit period, for which Federal reimbursement was unallowable. The MMIS error occurred when claims were approved for payment in one quarter and paid in a subsequent quarter. As a result, the State agency claimed $9,872,618 in unallowable Federal Medicaid reimbursement.

WHAT WE RECOMMEND

We recommend that the State agency:

- refund $9,872,618 to the Federal Government,
- identify and refund the Federal share of overpayments for any quarters in State fiscal years 2015 and 2016 in which claims were approved for payment in one quarter and paid in a subsequent quarter, and
- ensure that the MMIS correctly identifies all nonreimbursable claims for nonemergency services provided to qualified aliens.

STATE AGENCY COMMENTS AND OUR RESPONSE

In written comments on our draft report, the State agency partially agreed with our first recommendation. The State agency agreed to make a refund to the Federal Government but commented that it believes that our refund amount was overstated because our audit methodology did not account for the fact that pregnant women and children in California are not subject to the 5-year waiting period. The State agency agreed with our second and third recommendations and provided information on actions that it had taken or planned to take to address those recommendations.

After reviewing the State agency’s comments, we maintain that our first recommendation is valid. As of the end of our fieldwork, the State agency did not use the MMIS program that created the adjustment report to identify claims for services provided to pregnant women and children. Because we limited our review to that program and the adjustment reports it created, claims for those services were outside the scope of our review and were not included in the recommended refund amount.
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INTRODUCTION

WHY WE DID THIS REVIEW

Federal health care benefits are generally allowable when provided to a beneficiary who is a U.S. citizen, U.S. national, or qualified alien.¹ In general, a qualified alien is not permitted to receive Federal benefits until 5 years from the date he or she enters the United States with qualified alien status. States must have a system that verifies whether qualified aliens have met the required waiting period. In a previous review, we found data processing errors in the California Department of Health Care Services (State agency) system that identifies claims for services provided to qualified aliens for which Federal reimbursement is unallowable (nonreimbursable claims). Because these errors resulted in the State agency potentially claiming unallowable Federal Medicaid reimbursement for nonemergency services provided to some qualified aliens, we conducted this focused review of the State agency’s verification system.²

OBJECTIVE

Our objective was to determine whether the State agency correctly identified all nonreimbursable claims for nonemergency services provided to qualified aliens.

BACKGROUND

The 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. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

¹ A qualified alien is defined as (1) an alien lawfully admitted for permanent residence, (2) an alien granted asylum, (3) a refugee admitted to the United States, (4) an alien paroled into the United States for a period of at least 1 year, (5) an alien whose deportation is being withheld, (6) an alien granted conditional entry, (7) an alien who is a Cuban or Haitian entrant, or (8) a certain battered alien (Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), P.L. No. 104-193 (enacted Aug. 22, 1996), § 431, as amended).

² We identified those claims during our reconciliation of the State agency’s Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64). We did not report on that issue because it was outside the scope of our audit (California Claimed Medicaid Reimbursement for Some Nonemergency Medical Transportation Services in Los Angeles County That Did Not Comply With Federal and State Requirements, A-09-12-02083, issued June 24, 2014).
California’s Medicaid Program: Administration, Claim Processing, and Reporting

In California, the State agency administers the Medicaid program, which is known as Medi-Cal. The State agency contracts with a fiscal agent to manage the State’s Medicaid Management Information System (MMIS). The MMIS is a system of software and hardware used to process Medicaid fee-for-service claims and manage information about beneficiaries and services.

The State agency reports medical assistance expenditures, including those related to services provided to qualified aliens, on the CMS-64 for Federal Medicaid reimbursement. The Federal Government pays its share of the medical assistance expenditures on the basis of the Federal medical assistance percentage (FMAP). States must return the Federal share of any overpayments resulting from data processing errors in the State’s MMIS (42 CFR §§ 431.960(b) and 431.1002(a)).

Federal Reporting and Verification System Requirements for Services Provided to Qualified Aliens

The PRWORA required States to have a verification system to meet requirements for receiving Federal reimbursement for services provided to qualified aliens. Qualified aliens are generally not permitted to receive Federal Medicaid benefits (other than services necessary to treat an emergency medical condition and, at the State’s option, services provided to certain lawfully residing children and pregnant women) for 5 years from the date they enter the United States with qualified alien status (PRWORA § 403(a)). States must ensure that the system verifies that qualified aliens have met this requirement (PRWORA § 432(b)).

The State Agency’s Verification System for Identifying Services Provided to Qualified Aliens Who Had Not Met the 5-Year Waiting Period

To comply with the PRWORA’s requirements, the State agency created the quarterly alien claiming adjustment report (adjustment report) in its MMIS to identify claims for services provided to qualified aliens who had not met, and were not otherwise excepted from, the 5-year waiting period.

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3 Xerox State Healthcare, LLC, has been the State agency’s fiscal agent since October 2011.

4 The FMAP varies depending on the State’s relative per capita income. During our audit period, the FMAP in California ranged from 50.00 percent to 61.59 percent.

5 An “emergency medical condition” is defined as a medical condition (including emergency labor and delivery) manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in (1) placing the patient’s health in serious jeopardy, (2) serious impairment to bodily functions, or (3) serious dysfunction of any bodily organ or part (Social Security Act (the Act) § 1903(v)(3)).

6 Section 214 of the Children’s Health Insurance Program Reauthorization Act of 2009 (CHIPRA), P.L. No. 111-3 (enacted Feb. 4, 2009), gave States the option to cover certain lawfully residing children and pregnant women under Medicaid and CHIP without the 5-year delay required by the PRWORA. California provides full Medicaid coverage to these individuals (California State Medicaid Plan, TN No. 09-014, Attachment 2.6-A, pages 2–2b (effective Apr. 1, 2009)).
waiting period. The State agency is not permitted to claim Federal reimbursement for these services.

To create the adjustment report, the State agency provides the fiscal agent with a quarterly data file containing all records for qualified aliens (alien record file). This file, created on approximately the 25th day of the last month preceding the quarter in which the State agency reports expenditures on the CMS-64, includes the beneficiary’s identification number, the date the alien entered the United States, and the date the alien record was created or updated. For example, an alien record file updated on June 25 is used to create the adjustment report for the July through September quarter.

Using information from the alien record file and the claim data, the MMIS performs the six steps shown in Figure 1 below to identify claims for the adjustment report. The condition in each step must be met for a claim to be included on the adjustment report. If a condition is not met, the MMIS bypasses the remaining steps, and the claim is not included on the adjustment report.

**Figure 1: Six Steps That the MMIS Performs To Identify a Claim for the Adjustment Report**

1. **Step 1:** The beneficiary was a qualified alien (determined by matching the beneficiary’s identification number from the alien record file to the beneficiary’s Social Security number from the claim).

2. **Step 2:** The date the claim was approved for payment was on or after the date the alien record file was created.

3. **Step 3:** The claim was for pharmacy, long-term-care, inpatient, outpatient, or physician services or was a crossover claim.*

4. **Step 4:** The date of service was on or after October 1, 1997.

5. **Step 5:** The service was provided less than 5 years from the alien’s date of entry.

6. **Step 6:** The claim was not used to meet the alien’s share of cost requirement.**

* Crossover claims are claims billed to Medi-Cal for the payment of a beneficiary’s Medicare deductible and coinsurance.

** This is the monthly amount that a beneficiary agrees to pay for health care costs before Medi-Cal starts to pay.

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7 Section 403(b) of the PRWORA provides exceptions to the 5-year waiting period for certain refugees, asylees, aliens whose deportation is being withheld, Cuban and Haitian entrants, and Amerasian immigrants, as well as veterans, active-duty members of the Armed Forces, and their spouses or unmarried dependent children.

8 The State agency updates the alien record file monthly. This process includes updating alien records for existing beneficiaries and adding alien records for new beneficiaries.
If all of these conditions are met, the MMIS identifies the claim as a service provided to a qualified alien who had not met the 5-year waiting period, and the claim is included on the adjustment report. If any condition is not met, the claim is not included on the adjustment report.

**The State Agency’s Reporting of Nonemergency Services on the CMS-64**

The State agency uses the information in the adjustment report to calculate the total dollar amount of nonemergency services to report on its CMS-64. To calculate this amount, the State agency subtracts the dollar amount of nonemergency services provided to qualified aliens who had not met, and were not otherwise excepted from, the 5-year waiting period (identified on the adjustment report) from the dollar amount of nonemergency services for all beneficiaries (processed through the MMIS). This is the total amount that the State agency claims in Federal Medicaid reimbursement for nonemergency services on its CMS-64.

**HOW WE CONDUCTED THIS REVIEW**

For the quarters ended June 2010, September 2010, June 2011, June 2012, June 2013, and June 2014 (audit period), the State agency identified $215,912,892 ($121,085,442 Federal share) on its adjustment reports as nonemergency services provided to qualified aliens for which it did not claim Federal Medicaid reimbursement. To determine whether the State agency correctly identified all claims for nonemergency services provided to qualified aliens, we limited our review to the MMIS program that created the adjustment report. We did not review the medical necessity of services provided or review beneficiary documentation to confirm the State agency’s eligibility determinations.

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.

**FINDING**

The State agency did not correctly identify all nonreimbursable claims for nonemergency services provided to qualified aliens. Specifically, the State agency’s MMIS did not identify all claims for its adjustment reports for the audit period, for which Federal reimbursement was unallowable. The MMIS error occurred when claims were approved for payment in one quarter and paid in a subsequent quarter. As a result, the State agency claimed $9,872,618 in unallowable Federal Medicaid reimbursement.

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9 We reviewed selected quarters in which claims were approved for payment in one quarter but paid in a subsequent quarter. This generally occurred at the end of the State’s fiscal year, which is July 1 through June 30. In addition, during our audit period, this occurred for the quarter ended September 2010 because of a delay in approval of the State budget.
THE STATE AGENCY DID NOT CORRECTLY IDENTIFY ALL NONREIMBURSABLE CLAIMS FOR NONEMERGENCY SERVICES PROVIDED TO QUALIFIED ALIENS

Federal Requirements

In general, a qualified alien is not permitted to receive any Federal benefit for 5 years beginning on the date of the alien’s entry into the United States with qualified alien status (PRWORA § 403(a)). However, a qualified alien is permitted to receive services necessary to treat an emergency medical condition and, at the State’s option, services provided to certain lawfully residing children and pregnant women (the Act § 1903(v)). States are responsible for having a system that verifies whether a qualified alien has met, or is otherwise excepted from, the 5-year waiting period (PRWORA § 432(b)). Because qualified aliens, unless excepted, are not permitted to receive Federal benefits during the waiting period, a State is not permitted to claim Federal reimbursement for services provided to qualified aliens who have not met this waiting period.

States must return the Federal share of any overpayments resulting from data processing errors in the State’s MMIS (42 CFR § 431.1002(a)). A data processing error is an error resulting in an overpayment or underpayment that is determined from a review of the claim and other information available in the MMIS (42 CFR § 431.960(b)(1)).

See Appendix B for details on the applicable Federal requirements.

The Medicaid Management Information System Did Not Correctly Identify Claims for Which Federal Reimbursement Was Unallowable

The MMIS did not correctly identify all nonreimbursable claims for nonemergency services provided to qualified aliens. Specifically, a data processing error occurred in the MMIS program that created the adjustment report identifying qualified aliens who had not met the 5-year waiting period. Step 2 of the program requires that the date that the claim was approved for payment be on or after the date that the alien record was created. However, for the quarters we reviewed, when claims were approved for payment before the alien record file was created and were paid in a subsequent quarter, the MMIS incorrectly used the subsequent quarter’s alien record file.

For example, for the quarter ended September 30, 2010, claims approved for payment from July 10 through August 7 were paid in the same quarter (from July 15 through August 12). For those claims, as shown in Figure 2 on the following page, the MMIS correctly used the June 25 alien record file. This caused the MMIS to correctly conclude that the condition in step 2 had been met, and the remaining steps were not bypassed. As a result, the claims were correctly identified for and included on the adjustment report, and the State agency did not claim Federal reimbursement.
Figure 2: Example of the MMIS’s Use of the Correct Alien Record File

<table>
<thead>
<tr>
<th>Claims paid in quarter approved</th>
<th>MMIS Adjustment Report Process</th>
<th>Adjustment Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval Date</td>
<td>Payment Date</td>
<td></td>
</tr>
<tr>
<td>Jul 10</td>
<td>Jul 15</td>
<td></td>
</tr>
<tr>
<td>Jul 17</td>
<td>Jul 22</td>
<td></td>
</tr>
<tr>
<td>Jul 24</td>
<td>Jul 29</td>
<td></td>
</tr>
<tr>
<td>Jul 30</td>
<td>Aug 5</td>
<td></td>
</tr>
<tr>
<td>Aug 7</td>
<td>Aug 12</td>
<td></td>
</tr>
</tbody>
</table>

Alien Record File Correct date used: Jun 25

However, for the quarter ended September 30, 2010, claims approved for payment from August 14 through September 18 were paid in the subsequent quarter on October 11 (the quarter ended December 31, 2010). For those claims, as shown in Figure 3 below, the MMIS incorrectly used the alien record file dated September 24, which was supposed to be used in the adjustment report process for claims approved for payment in the quarter ended December 31, not September 30. This caused the MMIS to incorrectly conclude that the condition in step 2 (the date the claim was approved for payment was on or after the date the alien record was created) had not been met, and the remaining steps were bypassed. As a result, the claims were not identified for inclusion on the adjustment report, and the State agency incorrectly claimed Federal reimbursement.

Figure 3: Example of the MMIS’s Use of the Incorrect Alien Record File

<table>
<thead>
<tr>
<th>Claims paid in subsequent quarter</th>
<th>MMIS Adjustment Report Process</th>
<th>Adjustment Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval Date</td>
<td>Payment Date</td>
<td></td>
</tr>
<tr>
<td>Aug 14</td>
<td>Oct 11</td>
<td></td>
</tr>
<tr>
<td>Aug 21</td>
<td>Oct 11</td>
<td></td>
</tr>
<tr>
<td>Sep 4</td>
<td>Oct 11</td>
<td></td>
</tr>
<tr>
<td>Sep 11</td>
<td>Oct 11</td>
<td></td>
</tr>
<tr>
<td>Sep 18</td>
<td>Oct 11</td>
<td></td>
</tr>
</tbody>
</table>

Alien Record File incorrect date used: Sep 24

Claims were correctly identified and included on adjustment report.

CMS-64

No Federal reimbursement claimed.

Claims correctly went through all steps in adjustment report process.

Claims did not meet the condition in step 2 and remaining steps were bypassed.

Federal reimbursement incorrectly claimed.
Incorrect Alien Record File Was Used

The MMIS error occurred because the incorrect alien record file was used during the adjustment report process for claims that were approved for payment before the alien record file was created and were paid in the subsequent quarter. According to the State agency, payments can be delayed when there is a lack of funds or a budget hold. For the quarters ended June 2010, June 2012, June 2013, and June 2014, payments were delayed because of a lack of funds at the end of the fiscal year. For the quarter ended September 2010, payments were delayed because the State’s budget was not approved until the following quarter.

Incorrect Federal Reimbursement Was Claimed

To determine the amounts that the State agency should have used to report nonemergency services on its CMS-64s, the fiscal agent re-created the adjustment reports using alien record files for the correct quarters. On the basis of the re-created adjustment reports, we determined that the State agency had incorrectly claimed $9,872,618 in Federal Medicaid reimbursement for nonemergency services provided to qualified aliens. The table below shows the incorrectly claimed reimbursement by quarter.

<table>
<thead>
<tr>
<th>Quarter Ended</th>
<th>Amount Identified on Adjustment Report</th>
<th>Amount That Should Have Been Identified per Re-created Adjustment Report</th>
<th>Incorrect Federal Medicaid Reimbursement Claimed</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2010</td>
<td>$26,957,357</td>
<td>$28,746,724</td>
<td>$1,789,367</td>
</tr>
<tr>
<td>September 2010</td>
<td>26,003,481</td>
<td>30,901,525</td>
<td>4,898,044</td>
</tr>
<tr>
<td>June 2012</td>
<td>14,897,095</td>
<td>15,941,596</td>
<td>1,044,501</td>
</tr>
<tr>
<td>June 2013</td>
<td>12,575,483</td>
<td>13,638,936</td>
<td>1,063,453</td>
</tr>
<tr>
<td>June 2014</td>
<td>14,503,506</td>
<td>15,580,759</td>
<td>1,077,253</td>
</tr>
<tr>
<td>Total</td>
<td>$94,936,922</td>
<td>$104,809,540</td>
<td>$9,872,618</td>
</tr>
</tbody>
</table>

Payments were also delayed for the quarter ended June 2011, but the incorrect Federal Medicaid reimbursement claimed was immaterial.

The State budget for fiscal year 2011 (July 1, 2010, through June 30, 2011) was approved on October 8, 2010.
RECOMMENDATIONS

We recommend that the State agency:

- refund $9,872,618 to the Federal Government,

- identify and refund the Federal share of overpayments for any quarters in State fiscal years 2015 and 2016 in which claims were approved for payment in one quarter and paid in a subsequent quarter, and

- ensure that the MMIS correctly identifies all nonreimbursable claims for nonemergency services provided to qualified aliens.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency partially agreed with our first recommendation. The State agency agreed to make a refund to the Federal Government but commented that it believes that our refund amount was overstated because our audit methodology did not account for the fact that pregnant women and children in California are not subject to the 5-year waiting period. The State agency agreed with our second and third recommendations and provided information on actions that it had taken or planned to take to address those recommendations. The State agency’s comments are included in their entirety as Appendix C.

After reviewing the State agency’s comments, we maintain that our first recommendation is valid. As of the end of our fieldwork, the State agency did not use the MMIS program that created the adjustment report to identify claims for services provided to pregnant women and children. Because we limited our review to that program and the adjustment reports it created, claims for those services were outside the scope of our review and were not included in the recommended refund amount.
APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

For the quarters ended June 2010, September 2010, June 2011, June 2012, June 2013, and June 2014, the State agency identified $215,912,892 ($121,085,442 Federal share) on its adjustment reports as nonemergency services provided to qualified aliens for which it did not claim Federal Medicaid reimbursement. To determine whether the State agency correctly identified all claims for nonemergency services provided to qualified aliens, we limited our review to the MMIS program that created the adjustment report.

We did not assess the overall internal control structure of the State agency or the Medicaid program. Rather, we limited our review of internal controls to the procedures that the State agency and its fiscal agent used to identify qualified aliens who had not met the 5-year waiting period. We did not review the medical necessity of services provided or review beneficiary documentation to confirm the State agency’s eligibility determinations.

We conducted fieldwork at the State agency’s offices in Sacramento and the fiscal agent’s office in West Sacramento, California.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations;
- interviewed State agency officials to gain an understanding of the process and systems used to report Medicaid medical assistance expenditures on the CMS-64;
- reviewed the State agency’s process for identifying nonemergency services provided to qualified aliens who had not met the 5-year waiting period;
- interviewed fiscal agent officials to gain an understanding of how the MMIS creates the adjustment report;
- reviewed the adjustment reports that the State agency used to prepare its CMS-64s for the selected quarters during our audit period;
- reviewed the adjustment reports that the fiscal agency re-created to identify the correct amounts that the State agency should have used to prepare its CMS-64s for the selected quarters during our audit period;

We reviewed selected quarters in which claims were approved for payment in one quarter but paid in a subsequent quarter. This generally occurred at the end of the State’s fiscal year, which is July 1 through June 30. In addition, during our audit period, this occurred for the quarter ended September 2010 because of a delay in approval of the State budget.
- calculated the incorrectly claimed Federal Medicaid reimbursement; and
- discussed our audit results with State agency officials.

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: FEDERAL REQUIREMENTS

Definitions of Alien and Qualified Alien

The term “alien” means any person who is not a citizen or national of the United States (8 U.S.C. § 1101(a)(3)).

The term “qualified alien” means an alien who, at the time the alien applies for, receives, or attempts to receive a Federal public benefit, is:

- an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act (INA),
- an alien who is granted asylum under section 208 of the INA,
- a refugee who is admitted to the United States under section 207 of the INA,
- an alien who is paroled into the United States under section 212(d)(5) of the INA for a period of at least 1 year,
- an alien whose deportation is being withheld under sections 243(h) or 241(b)(3) of the INA,
- an alien who is granted conditional entry in accordance with section 203(a)(7) of the INA as in effect before April 1, 1980,
- an alien who is a Cuban or Haitian entrant, or
- a certain battered alien (PRWORA § 431, as amended).

Federal Benefits to Qualified Aliens

In general, an alien who is not a qualified alien is not eligible for any Federal public benefit (8 U.S.C. § 1611(a)).

In general, an alien who is a qualified alien (as defined in section 431) and who enters the United States on or after the date of the enactment of this Act is not eligible for any Federal means-tested public benefit for a period of 5 years beginning on the date of the alien’s entry into the United States with a status within the meaning of the term “qualified alien” (PRWORA § 403(a)).

The limitation under section 403(a) shall not apply to the following aliens:

- an alien who is admitted to the United States as a refugee under section 207 of the INA;
- an alien who is granted asylum under section 208 of the INA;
• an alien whose deportation is being withheld under sections 243(h) or 241(b)(3) of the INA;

• an alien who is a Cuban or Haitian entrant as defined in section 501(e) of the Refugee Education Assistance Act of 1980;

• an alien admitted to the United States as an Amerasian immigrant as described in 8 U.S.C. § 1612(a)(2)(A)(i)(V);

• an alien who is lawfully residing in the United States and is a veteran (as defined in 38 U.S.C. §§ 101, 1101, or 1301, or as described in 38 U.S.C. § 107) with a discharge characterized as an honorable discharge and not on account of alienage and who fulfills the minimum active-duty service requirements of 38 U.S.C. § 5303A(d);

• an alien who is lawfully residing in the United States and is on active duty (other than active duty for training) in the Armed Forces of the United States; or

• an alien who is lawfully residing in the United States and is the spouse or unmarried dependent child of an alien who is a veteran or on active duty as described above, or is the unremarried surviving spouse of an alien who is a veteran or on active duty as described above who is deceased if the marriage fulfills the requirements of 38 U.S.C. § 1304 (PRWORA § 403(b), as amended).

The limitation under section 403(a) shall not apply to medical assistance described in section 401(b)(1)(A): medical assistance under title XIX of the Act for care and services that are necessary for the treatment of an emergency medical condition (as defined in section 1903(v)(3) of such Act) of the alien involved and are not related to an organ transplant procedure, if the alien involved otherwise meets the eligibility requirements for medical assistance under the State plan approved under such title (PRWORA § 403(c)).

A State may elect to provide medical assistance under title XIX of the Act, notwithstanding the PRWORA, to children and pregnant women who are lawfully residing in the United States and who are otherwise eligible for such assistance, within either or both of the following eligibility categories:

• women during pregnancy (and during the 60-day period beginning on the last day of the pregnancy) and

• individuals under 21 years of age, including optional targeted low-income children described in section 1905(u)(2)(B) of the Act (CHIPRA § 214; the Act § 1903(v)(4)).

State Verification System

A State that administers a program that provides a Federal public benefit must have in effect a verification system that complies with Federal regulations, including verifying whether a person
applying for a Federal public benefit is a qualified alien and is eligible to receive such benefit (PRWORA § 432(b)).

**Data Processing Errors**

A data processing error is an error resulting in an overpayment or underpayment that is determined from a review of a claim and other information available in the State’s MMIS, related systems, or outside sources of provider verification (42 CFR § 431.960(b)(1)).

The difference in payment between what the State paid (as adjusted within improper payment measurement guidelines) and what the State should have paid, in accordance with the State’s documented policies, is the dollar measure of the payment error (42 CFR § 431.960(b)(2)).

Data processing errors include, but are not limited to, logic edit errors (42 CFR § 431.960(b)(3)(vi)).

**Recovery of Overpayments**

States must return to CMS the Federal share of overpayments based on medical and processing errors in accordance with section 1903(d)(2) of the Act and related regulations at 42 CFR part 433, subpart F. Payments based on erroneous Medicaid eligibility determinations are addressed under section 1903(u) of the Act and related regulations at 42 CFR part 431, subpart P (42 CFR § 431.1002(a)).
Ms. Lori A. Ahlstrand  
Regional Inspector General for Audit Services  
Office of Audit Services, Region IX  
90 - 7TH Street, Suite 3-650  
San Francisco, CA 94103  

Dear Ms. Alstrand  

The California Department of Health Care Services (DHCS) has prepared its response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG) draft report entitled, California Improperly Claimed Federal Medicaid Reimbursement for Nonemergency Services Provided to Some Qualified Aliens.  

DHCS appreciates the work performed by OIG and the opportunity to respond to the draft audit report. Please contact Ms. Sarah Hollister, External Audit Manager, at (916) 319-8529 if you have any questions.  

Sincerely,  

[Signature]  

Jennifer Kent  
Director  

Enclosure
Department of Health Care Services Response to the OIG audit report entitled, *California Improperly Claimed Federal Medicaid Reimbursement for Nonemergency Services Provided to Some Qualified Aliens*

**Finding #1:**

The State agency did not correctly identify all non-reimbursable claims for nonemergency services provided to qualified aliens.

**Recommendation 1:**

DHCS should refund $9,872,618 to the Federal Government.

**Response:**

DHCS partially agrees with the recommendation. Although some claims were incorrectly excluded from the quarterly adjustment process, the audit methodology did not account for the fact that pregnant women and children are not subject to the five-year bar in California. Therefore, while DHCS agrees with the recommendation to refund the federal government, DHCS believes the amount is overstated. The faulty programming logic that resulted in some claims being incorrectly excluded from the quarterly adjustment process was corrected in June 2016.

DHCS expects to be able to process a refund, adjusted for any claims rendered to pregnant women and children, no later than September 2017. DHCS will work with the federal government to reach agreement on the appropriate refund amount.

**Finding #2:**

The State agency's MMIS did not identify all claims for its adjustment reports for the audit period, for which Federal reimbursement was unallowable.

**Recommendation 2:**

DHCS should identify and refund the Federal share of overpayments for any quarters in State Fiscal Years 2015 and 2016 in which claims were approved for payment in one quarter and paid in a subsequent quarter.

**Response:**

DHCS agrees with the recommendation. DHCS agrees to the extent that overpayments are identified. It is possible that there were no overpayments in these quarters. In addition, DHCS implemented system changes in June 2016 to correct the logic in the California Medicaid Management Information System (CA-MMIS) that was incorrectly excluding claims from the quarterly adjustment report. DHCS will take the steps necessary to determine if there were any overpayments for State Fiscal Years 2015 and 2016 and will make the appropriate CMS 64 adjustments.
DHCS anticipates it will be able to identify any additional overpayments for this population by September 2017.

**Recommendation 3:** DHCS should ensure that the MMIS correctly identifies all non-reimbursable claims for nonemergency services provided to qualified aliens.

**Response:** DHCS agrees with the recommendation.

DHCS has updated the CA-MMIS system to ensure that claims will not be improperly excluded from the quarterly adjustment process when payment of the claims is delayed by the State. The necessary system changes were implemented in June 2016 and took effect for the April-June 2016 quarterly adjustment.