

Report in Brief

Date: August 2018

Report No. A-09-15-02027

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



Why OIG Did This Review

When California cannot process Medicaid expenditures for Federal reimbursement within the timeframe in Federal requirements, it creates placeholders for the related amounts. California reports to the Centers for Medicare & Medicaid Services (CMS) the placeholders as part of its Medicaid expenditures to ensure that it can receive Federal reimbursement once it can process the expenditures. Amounts reported on Form CMS-64 (the CMS-64) must represent actual recorded expenditures, be derived from source documents, and not be based on estimates. We performed this audit because we found in a separate audit of specialty mental health services (SMHS) expenditures that California had estimated some of the placeholders it reported.

Our objective was to determine whether California reported SMHS placeholders that represented actual expenditures supported by documentation.

How OIG Did This Review

For fiscal year (FY) 2013, we reviewed \$47.5 million of placeholders that California reported as part of its SMHS expenditures. We reviewed documentation provided by California to support that actual expenditures were incurred. We also identified placeholders reported for other types of Medicaid expenditures.

California Created a Medicaid Program Vulnerability by Reporting Placeholders That Did Not Represent Actual Expenditures Supported by Documentation

What OIG Found

California reported SMHS placeholders totaling \$47.5 million for FY 2013 that did not represent actual expenditures supported by documentation. Specifically, California could not provide source documents for the placeholders and based some of those placeholders on estimates. California did not have policies and procedures to ensure that supporting documentation for the placeholders was (1) available at the time the CMS-64 was filed and (2) retained.

California's reporting of placeholders created a program vulnerability: California could have withdrawn funds related to the unsupported placeholders that CMS had not taken action to defer before the 60-day deadline as required by Federal regulations or to disallow.

According to its placeholder record, California reported for FY 2013 additional placeholders totaling \$1.2 billion for other types of Medicaid expenditures.

What OIG Recommends and California Comments

We recommend that California (1) report adjustments on the CMS-64 to reduce SMHS placeholder amounts by the \$47.5 million that did not represent actual expenditures supported by documentation, (2) work with CMS to resolve the \$1.2 billion of additional Medicaid placeholders reported for FY 2013 and any placeholders reported for prior and later FYs and determine whether adjustments should be made, (3) develop and implement policies and procedures to ensure that supporting documentation for reported placeholders is available at the time the CMS-64 is filed and that the supporting documentation is retained, and (4) report on the CMS-64 only actual expenditures that are supported by documentation.

In written comments on our draft report, California fully agreed with our findings, agreed with our recommendations, and provided information on actions that it had taken or planned to take to address our recommendations.