

Auditing the Medicaid Program

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Office of Inspector General

- Office of Investigations
- Office of Evaluations and Inspections
- **Office of Audit Services**



Office of Inspector General

Our Audits

- Examine the performance of HHS programs and/or its grantees and contractors
 - Medicaid – State Agencies
- Help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS

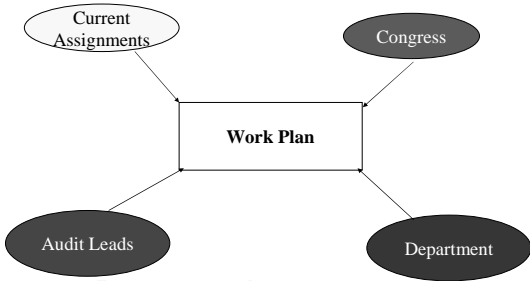


STANDARDS

- GAO Yellow Book - Chapters 4 and 7
- OAS Audit Policies and Procedures Manual
- OIG Statutory Role to Report to both the Administrative and Legislative Branches of Government



OIG Workplan



Medicaid Program

- Medicaid is a jointly funded Federal-State program that provides medical assistance to qualified low-income persons.
- Each State administers its Medicaid program in accordance with a State plan approved by the Centers for Medicare & Medicaid Services (CMS)
- CMS administers the Medicaid program at the Federal level



Medicaid Audit Ideas

- Leads Developed From Current Assignments
- Research and Development Projects
- OIG Hot Line
- **Contingency Fee Contracts**
- Other Financing Sources



Contingency Fee Contract Arrangements



How Does It Work?

- “Contingency” means that the consultant takes no fee from the state, but gets a percentage of the amount of additional Federal funds recovered.



Business is Booming

State's use of contingency fee consultants to implement projects to maximize Federal Medicaid reimbursement has increased significantly.



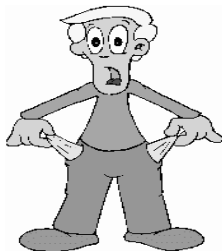
Possible Consultant Projects

- Target Case Management (TCM)
- Rehabilitation/Mental Health Services
- Supplemental Payment Arrangements
- School-Based Services
- DSH
- Cost Report Adjustments
- Enhanced Family Planning
- Upper Payment Limit (UPL)
- Administrative Costs



Who Pays For It?

- Federal financial participation (FFP) is not available for the costs of Medicaid contingency fee contracts (consultant fees).
- (Exception - contracts for collecting Medicaid third party liability payments)

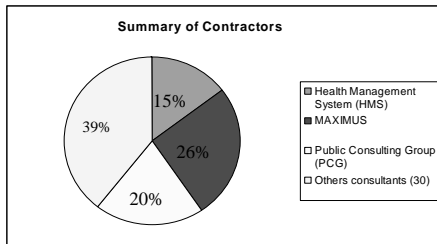


Who Are The Consultants?

- Acordia of Oregon, Inc.
- ACS State and Local Solutions
- Allied Interstate
- Annie Casey Foundation
- Arizona School Health Insurance Program, Inc.
- Attorneys/Firms
- CGI-AMS
- Copeland Glenn
- Cost MGMT Service Inc.
- Covington and Burling
- Deloitte
- Electronic Data System Corporation
- GC Services Limited Partnership
- Health care resources
- Health Management System (HMS)
- Healthwatch technologies
- Horn & Associates
- HWT, Inc.
- InteCare, Inc.
- Integrated Healthcare Auditing
- Liberty of Indiana Corporation
- Lucas Group Partners, LLP
- MAXIMUS
- McKesson
- Myers and Stauffer, LC
- Policy Studies Inc/PSI Durant
- PRG Schultz USA, Inc
- Provider Synergies
- Public Consulting Group (PCG)
- Regence
- Sellers/Fainberg (maximus subcontractor)
- Special Counsel Prescription Drug
- University of Massachusetts Medical School



The BIG 3



Summary of BIG 3

- Maximus—23 States
- Public Consulting Group—18 States
- Health Management System—13 States



Contingency Fee Audits

- Kansas School-Based
- Colorado Family Planning
- Kansas Rehabilitation Services
- Missouri School District Administrative Claiming



Kansas School-Based Program

Medical Services – Bundled Rates

- Billing Rate
 - Built with Incorrect Data
 - Implemented Incorrectly
 - Improperly Inflated
- Payments for Children Not Receiving Services
- Prescriptions / Referrals Not Performed



Kansas School-Based Program

Effects

- Sloppy Record Keeping
- \$37.5 Million (Federal Share) Overpaid



Colorado Family Planning

- 90 Percent Federal Match
- Managed Care and Fee-for-service Claims
 - FFS Claims Overstated by \$450,000
 - Contractor Built Managed Care Rate with FFS Data
 - Federal Claim Overstated by \$1.6 Million
 - \$180,000 of Contingency Fees Improperly Claimed



Kansas Rehabilitation Services

- Maximus provided contractual services for the following Kansas Rehabilitative Services Programs:
 - Targeted Case Management (TCM)
 - Family Preservation Services
 - Foster Care Services
 - Adoption Services



Maximus Contractual Duties

- Identify and process retrospective and prospective claims
 - developed encounter records from raw data
- Provide adequate documentation to substantiate claims filed for Federal reimbursement
 - "Scrubbed" data to make it useable for claiming
 - Reformatted data records
 - Corrected erroneous data
 - "Fixed" missing data fields
- Develop a claims processing system



OIG Findings

- Claims were not in accordance with State Medicaid Plan
 - Data not based on actual expenditures for services rendered
 - Claims data did not meet minimum requirements for Medicaid reimbursement
 - Unsupported retroactive claims



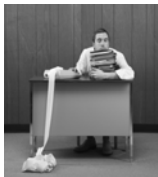
Results

- \$76.2 Million (Federal share) set aside for CMS adjudication
- Kansas did not renew their contract with Maximus



Missouri School District Administrative Claiming Program

- Ongoing Audit
- Maximus was the contractor



Other Financing Sources

- Intra-governmental Transfers
 - Iowa
- Provider Taxes
 - Missouri
- Certified Public Expenditures
 - Missouri



Intergovernmental Transfers

- Public funds may serve as the State's share for drawing Federal funds if the public funds are appropriated directly to the State or local Medicaid agency or are transferred from other public agencies to the State or local agency and under its administrative control



Simplification

- In certain circumstances, Medicaid allows the use of public funds (funds from county, city, or State owned facilities) to fund the State's share of Medicaid expenditures



Iowa Medicaid Payments for GME

- Iowa paid \$24.1 Million of Medicaid funds (\$15.2 Million Federal share) to the University of Iowa Hospitals for supplemental GME
- On the same day, University of Iowa Hospitals transferred the entire amount back to the State
- The State share of the funds (\$8.2 Million) were returned to the State Medicaid Agency
- The Federal share of the funds (\$15.2 Million) were deposited in the State's General Fund



Findings ??

- Intergovernmental Transfers were allowable within Federal Regulations
- CMS required Iowa to make provisions in its State plan to rescind the requirement for publicly owned entities to return GME payments to the State through intergovernmental transfers



Missouri Provider Tax

- Established Tax on Inpatient Revenue
- Incorrectly Taxed Other Items:
 - office rental income,
 - interest earned, and
 - cafeteria revenue
- \$8 Million of Unallowable Federal Reimbursement



Certified Public Expenditures

- Medicaid allows the use of funds from units of government within the State to fund a portion of the State's share of Medicaid expenditures
- States may use funds that have been certified by units of government within the State as representing the Medicaid expenditures for the State share. These funds are referred to as "Certified Public Expenditures"



Missouri Medicaid Payments for GME

- MO claimed \$5.7 Million (\$3.4 Million Federal share) in Medicaid GME payments to a private teaching hospital in Kansas City
- Per State agency, the State's share of these payments consisted of CPEs received from Kansas City as payment to the hospital for providing services to indigent children



Findings

- State's claim did not fully comply with Federal law or the approved State Plan
 - Hospital was not a "public" entity
 - Kansas City did not certify the funds before the State agency claimed Federal reimbursement
 - Hospital did not certify funds for all years audited, contrary to State plan
 - Unable to determine what portion of CPEs, which were intended for indigent children, were related to the provision of GME



Results

- Questioned costs of \$1.4 Million
 - Actual payment to the hospital was \$3.4 Million (which was the Federal share of the original \$5.7 total claim)
 - We allowed the Federal share of the actual \$3.4 payment (which was \$2 Million)
 - Questioned costs: \$3.4 Million less \$2 Million = \$1.4 Million
- MO no longer uses CPEs for this hospital



Questions

- Questions or Comments?

