

**Performance Audit Review of MMIS Program and
Administrative Codes Supporting Federal Match
Cash Draw of Medicaid and Chip Federal Funds**



Report Number 2014-18

October 29, 2015



STATE OF UTAH

Utah Office of Inspector General

October 29, 2015

To: Utah Department of Health

Please see the attached report, **Performance Audit Review of MMIS Program and Administrative Codes Supporting Federal Match Cash Draw of Medicaid and CHIP Federal Funds**, (Report 2014-18). An Executive Summary is included at the inception of this report. The objectives and scope of the audit are explained on page 3 of this report.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gene Cottrell".

Gene Cottrell
Interim Manager
Utah Office of Inspector General

cc: Joseph Miner, Michael Hales, Shari Watkins, Emma Chacon, Nathan Checketts, Eric Grant, Jeff Nelson, Darin Dennis, Aaron Eliason

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EXECUTIVE SUMMARY

Background:

The U.S. Department of Health and Human Services (HHS) funds more than 70% of the Medicaid and CHIP programs, and more than half of administrative services for each program through a reimbursement process. A MMIS report called the CP-410 aggregates program expenditures based on multiple criteria. The DOH Office of Fiscal Operations (OFO) receives the CP-410, applies the federal match rates to the program costs, and calculates the cash draw by applying the FMAP and other FFP rates to the program costs as reported on the CP-410.

Medicaid administrative costs, mostly wages and salaries, also receive FFP at rates authorized by HHS through the submission and approval of a Cost Allocation Plan (CAP).

Utah OIG conducted this audit due to risks identified in the Utah OIG Performance Audit of Medicaid's Payment and Recoupment for Non-Medicaid Claims, Audit 2014-13. Audit 2014-13 identified that Medicaid overstated Medicaid expenditures calculated by OFO to be \$5.4 Million, and the corresponding federal funding.

Audit Objectives:

1. Determine whether the CP-410 report, on which the federal cash draws were based, included completeness control.
2. Determine whether the CP-410 report aggregated transaction elements appropriately for the particular non-FMAP programs.
3. Determine whether OFO calculated the cash draw of the federal match for Medicaid program expenditures as reported on the CP-410, with appropriate controls.
4. Determine whether the Medicaid administrative expenditures report (cash status report) agreed with Medicaid's approved Cost Allocation Plan (CAP) units, program codes and federal match rates.
5. Determine whether OFO calculated the cash draw of the federal match for Medicaid administrative expenditures with appropriate controls.

Audit Observation:

The costs of assessing the health condition of applicants seeking Medicaid Disability benefits are reimbursed at a 50% federal match. Medicaid should determine if the cost of assessment for recipients subsequently deemed eligible for disability are eligible for recoupment at the higher, regular FMAP; and whether, recoupment at the higher rate would be cost beneficial.

INTRODUCTION

BACKGROUND

Grants from the U.S. Department of Health and Human Services (HHS) finance the larger part of Medicaid and the Children's Health Insurance Program (CHIP). The amount of Federal Financial Participation (FFP) through grant assistance varies by State, and by type of Medicaid program. Most Medicaid programs receive federal funding based on a percentage rate referred to as the Federal Medical Assistance Percentages (FMAP) for Medicaid, and Enhanced Federal Medical Assistance Percentages (e-FMAP) for CHIP. The FMAP rate, which varies by state, is generally in effect for the Federal Fiscal Year (FFY) of October through September. Utah FMAP for FFY 2014 was 70.34% and e-FMAP was 79.24%. Other Medicaid programs, for example, expenditures for the HITECH, Breast and Cervical Cancer, and Family Planning Services receive higher FFP. Medicaid also manages State funded programs not authorized for FFP.

HHS adjusts the FMAP rates annually and generally publishes them six months or more prior to the FFY. The basis for calculating the FMAP is the ratio of the State's per capita income to the per capita income of the United States. Section 1905(b) of the Social Security Act specifies that the FMAP shall not be less than 50 percent and no more than 83 percent.

HHS publishes the FMAP rates annually on <http://aspe.hhs.gov/health/fmap.cfm> and in the Federal Register.

Medicaid program expenditures are aggregated and summarized weekly on a Medicaid Management Information System (MMIS) report called the CP-410. The Utah Department of Health (DOH) Office of Fiscal Operations (OFO) receives the CP-410, confirms the interface accuracy and performs the cash draw.

DOH, the Single State Agency for Medicaid and CHIP, performs all cash draws on the Medicaid and CHIP federal grants. Other departments within the State of Utah conduct medical programs funded by the Medicaid FMAP. DOH depends on the other departments to perform FINET entries timely and accurately for inclusion in the cash draw.

Medicaid administrative costs, mostly wages and salaries, receive FFP at rates authorized by HHS through the submission and approval of a Cost Allocation Plan (CAP).

Utah OIG conducted this audit due to risks identified in the Performance Audit of Medicaid's Payment and Recoupment for Non-Medicaid Claims, Audit 2014-13. Audit 2014-13 identified over reporting of Medicaid expenditures calculated by OFO to be \$5.4 Million.

SCOPE AND OBJECTIVES

Audit Scope:

1. State Fiscal Year (SFY) 2014 Non-FMAP program expenditures only.
2. CP-410 Report for week ended April 5, 2014, and weeks ended March 28, February 1, and January 17, 2014 only for fund types that were inactive during week ended April 5, 2014.
3. Administrative Expenditures: SFY 2014 cash status report and CAP.

Audit Objectives:

1. Determine whether the CP-410 report, on which the federal cash draws were based, included completeness control for the week-selected.
2. Determine whether the CP-410 report, for the week-selected, aggregated transaction elements appropriately for the particular non-FMAP programs.
3. Determine whether OFO calculated the cash draw of the federal match for the non-FMAP program expenditures as reported on the CP-410, with appropriate controls for the week-selected.
4. Determine whether the Medicaid administrative expenditures report (cash status report for SFY 2014 cumulative) agreed with Medicaid's Approved Cost Allocation Plan (CAP).
5. Determine whether OFO calculated the cash draw of the federal match for Medicaid administrative expenditures as reported on the cash status report for SFY 2014, with appropriate controls.

METHODOLOGY

1. To determine whether the CP-410 report included completeness control Utah OIG reviewed select DTS data control procedures.
2. To determine whether the CP-410 report aggregated transaction elements appropriately for the particular non-FMAP programs, Utah OIG:
 - a. Met with Medicaid's Bureau of Financial Services (BFS) to identify the mapping relationship of the various elements of the CP-410 aggregation.
 - b. Requested BFS to identify the mapping relationships assigning the program codes tied to the FFP, FMAP and e-FMAP or other FFP rates. BFS developed a SQL query designed to identify individual payment line items comprising the CP-410. The SQL query recreated the CP-410 from payments in the MMIS Data Warehouse. Pivot tables reported the relationships of the various elements simulating the aggregation.
 - c. Reviewed the mapping simulated by the pivot tables, of Category of Aid, Fund Type, Program Code and Unit Code, for reasonableness of matching of FFP to non-FMAP program expenditures.
3. To determine whether OFO calculated the cash draw of the Non-FMAP federal match for Medicaid program expenditures as reported on the CP-410, with appropriate controls, Utah OIG interviewed key personnel, obtained the cash status report and recalculated the FFP for the non-FMAP fund types and weeks tested. Utah OIG traced these amounts to the cash status report.
4. To determine whether the Medicaid administrative expenditures report (SFY 2014 cumulative cash status report) agreed with Medicaid's Approved Cost Allocation Plan (CAP), Utah OIG compared the CAP to the cumulative SFY 2014 cash status report of administrative expenditures.
5. To determine whether OFO calculated the cash draw of the federal match for Medicaid administrative expenditures for SFY 2014 with appropriate controls, Utah OIG recalculated the cash draw per the cumulative SFY 2014 cash status report.

AUDIT CONCLUSIONS

1. Completeness control of the CP-410 process was not determined. Medicaid management during a pre-exit meeting, stated that they rely on the quarterly CMS-64 process, performed jointly with the OFO, as the control to determine CP-410 completeness. The audit scope did not include review of the CMS-64 process. The audit methodology reviewed completeness control conducted by DTS and found periodic performance of the control with inconsistent communication of control results.
2. During the weeks selected, the CP-410 report aggregated transaction elements appropriately for the particular non-FMAP programs. The process includes year-end adjustments.
3. OFO calculated the cash draw of the federal match for the non-FMAP program expenditures as reported on the CP-410 appropriately for the week-selected, when adjusted quarterly and annually.
4. Medicaid administrative expenditures report (cash status report for SFY 2014 cumulative) did not conflict with Medicaid's Approved Cost Allocation Plan (CAP).
5. OFO calculated the cash draw of the federal match for Medicaid administrative expenditures as reported on the cash status report for SFY 2014, with appropriate controls for the items reported.

OBSERVATION Disability Assessments

Medicaid's Bureau of Eligibility Policy makes payments to Medicaid and non-Medicaid approved healthcare providers to assess and gather information as to whether or not an individual applying for Medicaid disability benefits meets criteria.

Payments to non-Medicaid healthcare providers are processed using the Special Pay feature of the Medicaid Management Care System (MMCS). During Calendar Year (CY) 2014, MMCS special payments total \$488,913.40.

Payments made for disability assessments flow to the CP-410 and receive a 50% federal match. During CY 2014, Medicaid accepted approximately half of all applicants for the disability programs.

Medicaid's Bureau of Medicaid Operations (BMO) receives quarterly reports (CP060 and CP067 called "recoupment reports") containing payments for individuals approved for Medicaid. These reports are MMIS production reports programmed to include payment information useful to recoup FFP for the retroactive time period for which clients were eligible¹. Some of the payments on the CP060 and CP067 were for the disability assessments. BMO manually reviews the CP060 and CP067 and then issues credits/rebills for many of the prior payments to claim the federal match. However, BMO does not process credits/rebills to recoup the disability assessments.

Medicaid has not determined whether payments to healthcare providers for these assessments are retroactively eligible for the regular FMAP program match.

Recommendation

- 1.1 Medicaid should determine if the payments made for disability assessments, previously receiving a federal match of 50% through the CP-410 process, are now eligible for recoupment at the higher, regular program FMAP. Medicaid should additionally determine whether the recoupment process cost/benefit ratio would have a reasonable return on investment.

¹ The current Utah Medicaid Provider Manual updated January 2015, page 7, "Retroactive Medicaid" states: The eligibility period prior to the month of application is called the retroactive period. Effective August 1, 2001, the retroactive coverage period for Medicaid is limited to a three month period immediately preceding the date of application.

GLOSSARY OF TERMS

The first use of each term is described in the report. The glossary is included for easier reading.

<u>Term</u>	<u>Description</u>
CAP	Cost Allocation Plan: A narrative description of the Administrative cost activities for each program. 42 CFR requires HHS approval of the CAP.
CHIP	Children's Health Insurance Program
CMS	Centers for Medicare & Medicaid Services, part of HHS
CP-410	A weekly MMIS aggregation program that aggregates Medicaid program expenditures by unit, program, activity, and appropriation codes and descriptions.
DOH	Utah Department of Health
e-FMAP	Enhanced FMAP.
FFP	Federal Financial Participation
FFY	Federal Fiscal Year. The FFY is October through September. See also SFY.
FMAP	Federal Medicaid Assistance Percentages
HHS	US Department of Health and Human Services
MMCS	Medicaid Management Care System
MMIS	Medicaid Management Information System
OFO	Utah Department of Health, Office of Fiscal Operations
SFY	State Fiscal Year, of July through June. See also FFY.

MANAGEMENT RESPONSE



State of Utah

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Governor

SPENCER J. COX
Lieutenant Governor

Utah Department of Health

JOSEPH K. MINER, MD, MSPH, FACPM
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MICHAEL HALES
Deputy Director, Utah Department of Health
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October 27, 2015

Gene Cottrell
Interim Manager
Office of the Inspector General of Medicaid Services
P.O. Box 14103
Salt Lake City, Utah 84114

Dear Mr. Cottrell:

Thank you for the opportunity to respond to the audit entitled *Performance Audit Review of MMIS Program and Administrative Codes Supporting Federal Match Cash Draw of Medicaid and Chip Federal Funds* (Report #2014-18). We appreciate the effort and professionalism of you and your staff in this review. Likewise, our staff has spent time collecting information for your review, answering questions, and planning changes to improve the program. We believe that the results of our combined efforts will make a better, more efficient program.

We concur with the recommendation in this report. Our response describes the actions the Department plans to take to implement the recommendation.

The Department of Health is committed to the efficient and effective use of taxpayer funds and values the insight this report provides on areas that need to be improved.

Sincerely,

Michael Hales
Deputy Director, Department of Health
Director, Division of Medicaid and Health Financing



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Response to Recommendation

Recommendation 1.1

1.1 Medicaid should determine if the payments made for disability assessments, previously receiving a federal match of 50% through the CP-410 process, are now eligible for recoupment at the higher, regular program FMAP. Medicaid should additionally determine whether the recoupment process cost / benefit ratio would have a reasonable return on investment.

Department response:

We concur with this recommendation.

Medicaid will determine (1) if the payments made for disability assessments, previously receiving a federal match of 50% through the CP-410 process, are now eligible for recoupment at the higher, regular program FMAP and (2) whether the recoupment process cost / benefit ratio would have a reasonable return on investment.

Contact: Jeff Nelson, Director, Bureau of Eligibility Policy, 801-538-6471

Anticipated Implementation Date: July 1, 2016

EVALUATION OF MANAGEMENT RESPONSE

Management concurs with the findings and recommendations of this report. Management has designated a responsible person to implement changes within a reasonable deadline. Management's response is adequate. We will review the adequacy of Management's corrective action following the date indicated in the response.

UTAH OIG CONTACTS AND STAFF ACKNOWLEDGEMENT

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UTAH OIG AUDIT SERVICES MISSION

We conduct audits to reduce or eliminate waste, abuse and fraud in the Utah Medicaid Programs for the benefit of taxpayers, Medicaid providers and recipients.

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