Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

KENTUCKY SUBSTANTIALLY MET MONEY FOLLOWS THE PERSON PROGRAM REQUIREMENTS

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DEPARTMENT OF HEALTH & HUMAN SERVICES · USA

Lori S. Pilcher
Regional Inspector General

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Office of Inspector General

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EXECUTIVE SUMMARY

Kentucky substantially met applicable requirements when claiming funds through the Money Follows the Person Program. Of $6,761,735 claimed, Kentucky received $41,646 in unallowable Federal reimbursements.

WHY WE DID THIS REVIEW

Centers for Medicare & Medicaid Services awarded Kentucky a Money Follows the Person Rebalancing Demonstration Program (MFP) grant to help Kentucky's long-term care systems transition Medicaid recipients from institutions into the community. MFP encourages this transition by increasing the use of home and community based services for long-term Medicaid recipients. We selected MFP for review because it is a relatively new program and because the grant totals were substantial ($6,761,735 Federal share) during our audit period (July 1, 2007, through December 31, 2010).

Our audit objective was to determine whether Kentucky met all applicable requirements when claiming funds through MFP.

BACKGROUND

Created by section 6071 of the Deficit Reduction Act of 2005, the MFP helps States reduce their reliance on institutional care by developing community-based, long-term care opportunities for the elderly and people with disabilities. The Affordable Care Act extended MFP through September 30, 2016.

Kentucky's Cabinet for Health and Family Services (State agency) manages MFP under its Kentucky Transitions program. The program provided enhanced Federal medical assistance percentage (FMAP) rates of 88.9 to 90 percent during our audit period for 12 months of "qualified" home- and community-based services for each person transitioned from an institution to the community. Eligibility for MFP depends on whether the transitioned individual resided in a qualified institution and received Medicaid benefits for inpatient services furnished by the institution.

The State also has the option of providing "supplemental" services that are necessary to transition an eligible individual from an institution to the community. These services are one-time costs that the State reimbursed from MFP funds at the regular FMAP rates of 77.8 to 80.61 percent during our audit period. Kentucky defines the following as supplemental services: housing modifications, housing deposits, utility deposits, pest eradication services, and household goods.

WHAT WE FOUND

The State agency substantially met applicable requirements when claiming funds through MFP. The State agency correctly claimed $6,455,062 of Federal share funds. However, of the 156 MFP recipients, 2 were not eligible to receive MFP services, resulting in $9,110 in overpayments. In addition, the State agency had unallowable qualified expenses for services that were not furnished during the 12-month MFP period, resulting in an overpayment of $21,755. Finally, the State agency lacked proper documentation for supplemental expenses for 33 MFP recipients, resulting in $10,781 in overpayments.

These overpayments occurred because the State agency had insufficient internal controls relating to eligibility determination, matching expenses with periods of coverage, and documenting expenses in the MFP program. As a result, the State agency received $41,646 in unallowable Federal reimbursements for MFP.

WHAT WE RECOMMEND

We recommend that the State agency:

- refund $41,646 to the Federal Government,

- strengthen its internal controls, and

- establish Medicaid Management Information Systems edits to ensure that services claimed only during the 12-month MFP period are claimed at the enhanced FMAP rate.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our findings and recommendations and described some of the corrective actions already taken.

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INTRODUCTION

WHY WE DID THIS REVIEW

Centers for Medicare & Medicaid Services (CMS) awarded Kentucky a Money Follows the Person Rebalancing Demonstration Program (MFP) grant to help Kentucky's long-term care systems transition Medicaid recipients from institutions to the community. MFP encourages this transition by increasing the use of home- and community-based services for long-term Medicaid recipients. We selected MFP for review because it is a relatively new program and because the grant totals were substantial ($6,761,735 Federal share) during our audit period (July 1, 2007, through December 31, 2010).

OBJECTIVE

Our audit objective was to determine whether Kentucky met all applicable requirements when claiming funds through MFP.

BACKGROUND

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, 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.

Section 1115 of the Social Security Act (the Act) authorizes demonstration projects to assist in promoting the objectives of the Medicaid program.

Money Follows the Person Demonstration Program

Created by section 6071 of the Deficit Reduction Act of 2005 (DRA), the MFP helps States reduce their reliance on institutional care by developing home- and community-based long-term care opportunities for the elderly and people with disabilities. The Affordable Care Act extended MFP to through September 30, 2016.

Kentucky's Cabinet for Health and Family Services (State agency) manages MFP under its Kentucky Transitions program. The program provided enhanced Federal medical assistance percentage (FMAP) rates of 88.9 to 90 percent during our audit period for 12 months of "qualified" home- and community-based services for each person transitioned from an institution to the community. Eligibility for MFP depends on whether the transitioned individual resided in a qualified institution and received Medicaid benefits for inpatient services furnished by the institution.

The State also has the option of providing "supplemental" services that are necessary to transition an eligible individual from an institution to the community. These services are one-time costs that the State reimbursed from MFP funds at the regular FMAP rates of 77.8 to 80.61 percent during our audit period. Kentucky defines the following as supplemental services: housing modifications, housing deposits, utility deposits, pest eradication services, and household goods.

HOW WE CONDUCTED THIS REVIEW

From July 1, 2007, through December 31, 2010, the State agency claimed approximately $6,761,735 (Federal share) in MFP expenditures for 156 MFP recipients. Of these expenditures, we reviewed $6,496,708, which included all of the MFP enhanced FMAP qualified expenditures, all of the regular FMAP supplemental expenditures, and a judgmental sample of administrative expenditures.

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.

FINDINGS

The State agency substantially met applicable requirements when claiming funds through MFP. The State agency correctly claimed $6,455,062 of Federal share funds. However, of the 156 MFP recipients, 2 were not eligible to receive MFP services resulting in $9,110 in overpayments. Specifically:

- 1 individual did not reside in an inpatient facility for at least 6 months prior to transitioning into MFP resulting in an overpayment of $6,558 and

- 1 individual was not receiving Medicaid benefits immediately before transitioning into MFP resulting in an overpayment of $2,552.

In addition, the State agency had unallowable qualified expenses for services that were not furnished during the 12-month MFP period, resulting in an overpayment of $21,755. Finally, the State agency lacked proper documentation for supplemental expenses for 33 MFP recipients, resulting in $10,781 in overpayments.

These overpayments occurred because the State agency had insufficient internal controls relating to eligibility determination, matching expenses with periods of coverage, and documenting expenses in the MFP program. Specifically, the internal controls were not sufficient to determine the eligibility of two individuals and the State agency selected its qualified expense claims data by paid date instead of by service date. Furthermore, the State agency's high personnel turnover rate contributed to unreliable records maintenance for both supplemental and qualified expenses. As a result, the State agency received $41,646 in unallowable Federal reimbursements for MFP.

For details on the Federal and State requirements related to MFP, see Appendix B.

INDIVIDUALS DID NOT MEET ELIGIBILITY REQUIREMENTS

On the basis of our review of the 156 MFP recipients' transition dates, inpatient claims data, and long-term claims data, the State agency claimed payment for services for 2 individuals who were not eligible to receive enhanced FMAP, resulting in $9,110 in overpayments.

The DRA, section 6071(b)(2)(A)(i), defines an eligible individual for the MFP demonstration project as an individual who has resided in an inpatient facility for at least 6 months[1] before participating in MFP. However, one MFP recipient did not meet eligibility requirements because he had not resided in an inpatient facility for 6 months prior to transitioning. This ineligibility resulted in an overpayment of the MFP Federal Share of expenses totaling $6,558.

The DRA, section 6071(b)(2)(A)(ii) requires eligible individuals to be receiving Medicaid benefits for inpatient services furnished by the inpatient facility at which they reside. However, one recipient was receiving Medicare, rather than Medicaid, benefits at the inpatient facility at which he resided. This receipt of Medicare benefits made the individual ineligible for MFP and resulted in a $2,552 overpayment of the Federal share of expenses for the recipient.

QUALIFIED EXPENSES NOT FURNISHED WITHIN MFP PERIOD

Section 6071(b)(7) of the DRA defines qualified expenditures as expenditures for services furnished during the 12-month period beginning on the date the individual is discharged from an inpatient facility. Section 6071(e)(1)(A) further explains that qualified expenditures are paid at an MFP enhanced FMAP rate. Out of 25,570 line items that the State agency claimed as qualified expenses, 838 were for ineligible services furnished either before the individual transitioned into MFP or after the 12-month MFP eligibility period. These ineligible services resulted in $21,755 (Federal share) in overpayments of enhanced FMAP.

SUPPLEMENTAL SERVICES LACKED PROPER DOCUMENTATION

According to section 1902(a)(27) of the Act, providers must keep records as necessary to disclose the extent of the services provided to individuals receiving assistance and provide these records to the State agency or the Secretary of Health and Human Services upon request. However, the State agency either did not have receipts or lacked other documentation for the supplemental services provided to 33 of the 156 MFP recipients. This lack of documentation resulted in overpayments totaling $10,781 (Federal share).

[1] Section 2403 of the Patient Protection and Affordable Care Act of 2010 amended the Deficit Reduction Act by changing the 6-month requirement to 90 days, effective April 22, 2010.

INSUFFICIENT INTERNAL CONTROLS AND HIGH TURNOVER RATE

These overpayments occurred because the State agency had insufficient internal controls relating to eligibility determination, matching expenses with periods of coverage, and documenting expenses in the MFP program. Specifically, the internal controls were not sufficient to determine the eligibility of two individuals, and the State agency selected its qualified expense claims data by paid date instead of by service date. Furthermore, the State agency's high personnel turnover contributed to unreliable records maintenance for both supplemental and qualified expenses.

As a result of these overpayments, the State agency received a total of $41,646 in unallowable Federal reimbursements.

RECOMMENDATIONS

We recommend that the State agency:

- refund $41,646 to the Federal Government,
- strengthen its internal controls, and
- establish Medicaid Management Information System (MMIS) edits to ensure that services claimed only during the 12-month MFP period are claimed at the enhanced FMAP rate.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our findings and recommendations and described some of the corrective actions already taken. The State agency's comments are included in their entirety as Appendix C.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered the period July 1, 2007, through December 31, 2010. During this period, the State agency claimed $6,761,735 (Federal share) for MFP. Of these expenditures, we reviewed $6,496,708, which included all of the MFP enhanced FMAP rates of 88.9 to 90 percent during our audit period for qualified expenditures, all of the regular FMAP rates of 77.8 to 80.61 percent during our audit period for supplemental expenditures, and a judgmental sample of administrative expenditures.

We did not review the overall internal control structure of the State agency or the Medicaid program. Instead, we reviewed only those internal controls related to our objective.

We performed our fieldwork at the Kentucky Cabinet for Health and Family Services offices in Frankfort, Kentucky, from April through October 2012.

METHODOLOGY

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, and guidance and the *MFP Kentucky Transitions Operational Protocol*;
- reviewed the Program Announcement and Special Terms and Conditions for the Federal MFP program grant;
- held discussions with CMS officials to understand the Federal MFP;
- held discussions with State agency officials to understand State policies and controls for claiming Federal reimbursement for MFP;
- reviewed the MMIS claims data for long-term, inpatient, and eligibility databases for MFP recipients;
- reviewed Medicare inpatient facility claims for MFP recipients;
- obtained MFP qualified expense claims data from the State agency for the audit period;
- obtained supplemental expense documentation; and
- selected a judgmental sample of administrative expenses.

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 AND STATE REQUIREMENTS

FEDERAL

The DRA, section 6071(b)(2)(A) defines an individual eligible for MFP as an individual who immediately before participating in MFP resides and has resided in an inpatient facility for at least 6 months.[2] The individual must also be receiving Medicaid benefits for inpatient services furnished by such inpatient facility.

Section 6071(b)(7) of the DRA defines qualified expenditures as those for an eligible individual participating in MFP for services furnished during the 12-month period beginning on the date the individual is discharged from an inpatient facility. Section 6071(e)(1)(A) further explains that qualified expenditures are paid at an MFP enhanced FMAP rate.

According to section 1902(a)(27) of the Act, providers must keep records as necessary to disclose the extent of the services provided to individuals receiving assistance. Providers must provide these records to the State agency or the Secretary of Health and Human Services upon request.

STATE

The initial MFP Program Announcement[3] provides for optional one-time supplemental expenses to assist individuals in transitioning into the community. Kentucky defines the supplemental services in their *MFP Kentucky Transitions Operational Protocol* as either a housing modification up to $15,000 or 10 percent of the value of the home and any combination of a list of services up to $2,000, such as housing deposits, utility deposits, pest eradication services, household goods, etc.

[2] Section 2403 of the Patient Protection and Affordable Care Act of 2010 amended the Deficit Reduction Act by changing the 6-month requirement to 90 days, effective April 22, 2010.

[3] Funding Opportunity No.: HHS-2007-CMS-RCMFTP-0003.

APPENDIX C: STATE AGENCY COMMENTS

CABINET FOR HEALTH AND FAMILY SERVICES
DEPARTMENT FOR MEDICAID SERVICES

Steven L. Beshear
Governor

275 E Main St, 6W-A
Frankfort, KY 40621
(502) 564-4321
www.chfs.ky.gov

Audrey Tayse Haynes
Secretary

Lawrence Kissner
Commissioner

May 22, 2013

Report Number: A-04-12-06152

Lori S. Pilcher
Regional Inspector General for Audit Services
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

Dear Ms. Pilcher:

Thank you for the U.S. Department of Health and Human Services, Office of Inspector General, draft report entitled *Kentucky Substantialy Met Money Follows the Person Program Requirements.*

Kentucky's Money Follows the Person (MFP) staff have reviewed the report and have prepared the enclosed statements of concurrence.

If you have any questions regarding this response, please do not hesitate to contact Kentucky's MFP Project Director, Marla I. Smaltz-Walker, at (502) 564-0330 or through email at Marla.Smaltz@ky.gov.

Sincerely,

Neville I Wise

Neville Wise
Deputy Commissioner

Enclosure

Money Follows the Person
Kentucky Transitions
Office of Inspector General
Health and Human Services
Report Number A-04-12-06152

Kentucky Responses to Draft Report

Based on Audit of 2008 – 2010 records; conducted April 24 – May 4, 2012

Findings:

1 – The State agency substantially met applicable requirements when claiming funds through MFP. The State agency correctly claimed $6,455,062 of Federal share funds. However, of the 156 MFP recipients, 2 were not eligible to receive MFP services, resulting in $9,110 in overpayments.

Kentucky MFP concurs with the findings.

During the audited timeframe, Kentucky MFP's data recording was primarily paper-based. Since that time, Kentucky MFP's data records are fully electronic and subject to more stringent internal controls and audits.

2 – The State agency had unallowable qualified expenses for services that were not furnished during the 12-month MFP period, resulting in an overpayment of $21,755.

Kentucky MFP concurs with the findings.

During the audited timeframe, Kentucky MFP's data recording was primarily paper-based. Since that time, Kentucky MFP's data records are fully electronic and subject to more stringent internal controls and audits.

3 – The State agency lacked proper documentation for supplemental expenses for 33 MFP recipients, resulting in $10,781 in overpayments.

Kentucky MFP concurs with the findings.

During the audited timeframe, Kentucky MFP's data recording for supplemental expenses was primarily paper-based and not centrally located/controlled. The processing of supplemental expenses documentation has been expressly defined and incorporated, including internal controls and audits.

Recommendations:

1 – Refund $41,646 to the Federal Government

Kentucky MFP concurs.

2 – Strengthen internal controls

Kentucky MFP has strengthened internal controls through written procedure definitions, contract modifications detailing procedures, and internal audits.

3 – Establish Medicaid Management Information Systems edits to ensure that services claimed only during the 12-month MFP period are claimed at the enhanced FMAP rate

Kentucky MFP has established MMIS edits and closely monitors the data in regard to the defined 12-month MFP period.