DEPARTMENT OF HEALTH & HUMAN SERVICES **Office of Inspector General**

Washington, D.C. 20201

December 29, 2011

TO: Marilyn Tavenner
Acting Administrator
Centers for Medicare & Medicaid Services

FROM: /Gloria L. Jarmon/
Deputy Inspector General for Audit Services

SUBJECT: Review of Oklahoma Collections for the Medical Assistance Program for Calendar Years 2004 Through 2009 (A-06-10-00057)

Attached, for your information, is an advance copy of our final report on Oklahoma collections for the Medical Assistance Program for calendar years 2004 through 2009. We will issue this report to the Oklahoma Health Care Authority within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Brian P. Ritchie, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through email at Brian.Ritchie@oig.hhs.gov or Patricia Wheeler, Regional Inspector General for Audit Services, Region VI, at (214) 767-8414 or through email at Trish.Wheeler@oig.hhs.gov. Please refer to report number A-06-10-00057.

Attachment

DEPARTMENT OF HEALTH & HUMAN SERVICES **Office of Inspector General**

Office of Audit Services, Region VI
1100 Commerce Street, Room 632
Dallas, TX 75242

January 5, 2012

Report Number: A-06-10-00057

Ms. Carrie Evans
Chief Financial Officer
Oklahoma Health Care Authority
2401 NW 23rd Street, Suite A1
Oklahoma City, OK 73107

Dear Ms. Evans:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Oklahoma Collections for the Medical Assistance Program for Calendar Years 2004 Through 2009*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://oig.hhs.gov.

If you have any questions or comments about this report, please do not hesitate to call me at (214) 767-8414, or contact Warren Lundy, Audit Manager, at (405) 605-6183 or through email at Warren.Lundy@oig.hhs.gov. Please refer to report number A-06-10-00057 in all correspondence.

Sincerely,

/Patricia Wheeler/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, IL 60601

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF OKLAHOMA COLLECTIONS FOR THE MEDICAL ASSISTANCE PROGRAM FOR CALENDAR YEARS 2004 THROUGH 2009

Daniel R. Levinson
Inspector General

January 2012
A-06-10-00057

Office of Inspector General

http://oig.hhs.gov

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC

at http://oig.hhs.gov

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly administer and fund 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 plan. In Oklahoma, the Oklahoma Health Care Authority (State agency) administers the Medicaid program.

Pursuant to section 1905(b) of the Act, the Federal Government pays its share of a State's medical assistance costs under Medicaid based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time.

States claim Medicaid expenditures and the associated Federal share on the Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64 report). This form shows the disposition of Medicaid funds used to pay for medical and administrative costs for the quarter being reported and any prior-period adjustments.

To account for overpayments, refunds, and similar receipts, States report collections on lines 9A through 9E of the Form CMS-64 Summary, a page in the CMS-64 report. The collections decrease both the total expenditures reported for a quarter and the amount of Federal funding that States receive. If the collections are underreported, the Federal share for the quarter will be higher than it should be. Conversely, overreporting the collections results in a lower Federal share.

OBJECTIVE

Our objective was to determine whether the State agency accurately reported collections on the CMS-64 reports from January 1, 2004, through December 31, 2009.

SUMMARY OF FINDINGS

From January 1, 2004, through December 31, 2009, the State agency did not accurately report all of the collections on the CMS-64 reports. The State agency reported collections of $714,135,446 ($492,195,069 Federal share) but should have reported $729,571,722 ($506,993,542 Federal share). The State agency:

- did not report collections of $15,436,276 ($10,876,852 Federal share) and
- underreported the Federal share of collections by $3,921,621(consisting of $6,910,760 that was underreported and $2,989,139 that was overreported).

Additionally, we set aside $434,721 in adjusted claims that the State agency could not support.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government $14,798,473, consisting of:
    - the $10,876,852 Federal share of collections not reported and
    - the $3,921,621 underreported Federal share of collections ($6,910,760 that was underreported and $2,989,139 that was overreported);
- work with CMS to determine what portion of the $434,721 in unsupported adjusted claims should be used to decrease medical assistance expenditures;
- ensure that records supporting collections reported on the CMS-64 report are maintained and readily available; and
- establish review procedures to ensure that collections are correctly compiled, assigned, and reported on the CMS-64 report.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its written comments on our draft report, the State agency agreed with three of our four recommendations; it disagreed with our recommendation to work with CMS to determine what portion of the $434,721 in unsupported adjusted claims should be used to decrease medical assistance expenditures. The State agency also provided technical comments. The State agency's comments, excluding the technical comments, are included as the Appendix.

We disagreed with the State agency's position on the one recommendation and addressed the technical comments as appropriate.

TABLE OF CONTENTS

Page

INTRODUCTION 1

BACKGROUND 1
Medicaid Program 1
American Recovery and Reinvestment Act of 2009 1
Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program 1
Oklahoma's Methodology for Reporting Collections on the Form CMS-64 Summary 2

OBJECTIVE, SCOPE, AND METHODOLOGY 3
Objective 3
Scope 3
Methodology 3

FINDINGS AND RECOMMENDATIONS 4

COLLECTIONS NOT REPORTED 4
Federal Requirements 4
Probate Amounts 4
Fraud and Abuse Collections 5

UNDERREPORTED FEDERAL SHARE OF COLLECTIONS 5
Federal Requirement 5
Increased Funding During the Recovery Act Period 5
Miscellaneous Errors 6
Overreported Federal Share Related to the Application of Incorrect Federal Medical Assistance Percentages 7

COLLECTIONS NOT SUPPORTED 7

RECOMMENDATIONS 7

STATE AGENCY COMMENTS 8

OFFICE OF INSPECTOR GENERAL RESPONSE 8

APPENDIX

STATE AGENCY COMMENTS

INTRODUCTION

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly administer and fund 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 plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In Oklahoma, the Oklahoma Health Care Authority (State agency) administers the Medicaid program.

Pursuant to section 1905(b) of the Act, the Federal Government pays its share of a State's medical assistance costs under Medicaid based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. States with a lower per capita income relative to the national average are reimbursed a greater share of their costs. States with a higher per capita income are reimbursed a lesser share. By law, the FMAP rates cannot be lower than 50 percent. In fiscal year 2008, the FMAPs ranged from a low of 50 percent to a high of 76.29 percent, depending on the State. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time.

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (the Recovery Act), P.L. No. 111-5, enacted February 17, 2009, provided fiscal relief to States to protect and maintain State Medicaid programs in a period of economic downturn. For the recession adjustment period (October 1, 2008, through December 31, 2010), the Recovery Act provided temporary increases in States' FMAPs.[1] Section 5000 of the Recovery Act provided for these increases to help avert cuts in health care payment rates, benefits, or services and to prevent changes to income eligibility requirements that would reduce the number of individuals eligible for Medicaid.

Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program

The States claim Medicaid expenditures and the associated Federal share on the Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64 report). This form shows the disposition of Medicaid funds used to pay for medical and administrative costs for the quarter being reported and any prior-period adjustments. The amount claimed on the CMS-64 report is a summation of expenditures derived from source documents such as claim data, invoices, cost reports, and eligibility records.

[1] The Education, Jobs, and Medicaid Assistance Act (P.L. No. 111-226, section 201) extended the recession adjustment period for the increased FMAP through June 30, 2011.

To account for overpayments, refunds, and similar receipts, States report collections on lines 9A through 9E of the Form CMS-64 Summary, a page in the CMS-64 report. Sections 2500.1 and 2500.3 of the *State Medicaid Manual* (the manual) instruct States to use lines 9A through 9E as follows:

- **9A Collections: Third-Party Liability** – funds collected from other parties responsible for a beneficiary's health care costs after Medicaid has already paid a claim.

- **9B Collections: Probate** – funds collected from the estates of deceased Medicaid beneficiaries.

- **9C Collections: Identified Through Fraud and Abuse Efforts** – funds collected as a result of program integrity efforts.

- **9D Collections: Other** – funds collected because of such things as refunds or cancellations.

- **9E: Miscellaneous** – the manual identifies this as "Reserved."

The collections decrease both the total expenditures reported for a quarter and the amount of Federal funding States receive. If the collections are underreported, the Federal share for the quarter will be higher than it should be. Conversely, overreporting the collections results in a lower Federal share.

Oklahoma's Methodology for Reporting Collections on the Form CMS-64 Summary

The State agency official responsible for compiling the collection amounts on the Form CMS-64 Summary obtained the amounts reported on the third-party liability, probate, and fraud and abuse collections lines directly from reports provided by State agency departments or a contractor. The State agency reported the majority of its collections on the "other" collections line, and the official used a standardized worksheet (the worksheet) each quarter to compile the amount reported on that line. The first half of the worksheet showed the amounts associated with claims that were adjusted to lower their payments. The official organized this half of the worksheet by the time periods during which the adjusted claims originally were paid. The worksheet included the original FMAPs and resulting Federal shares associated with the adjusted claims.

The second half of the worksheet showed the amounts associated with different types of collections, such as probate and fraud and abuse. Because amounts associated with probate and fraud and abuse are reported separately on the Form CMS-64 Summary, the State agency official subtracted these amounts from the adjusted claim subtotal calculated on the first part of the worksheet. The State agency official also added Insure Oklahoma premiums collected during the quarter to arrive at a total amount to report on the "other" collections line.[2]

[2] The Insure Oklahoma program offers health insurance to low-income working adults. Under section 1906 of the Act, premium payments made by the State would be reimbursed at the FMAP rate.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency accurately reported collections on the CMS-64 reports from January 1, 2004, through December 31, 2009.

Scope

Our review covered $714,135,446 ($492,195,069 Federal share) in collections that the State agency reported from January 1, 2004, through December 31, 2009. We did not include $31,055,762 ($20,465,749 Federal share) in collections that the State agency reported for the quarter ended December 31, 2008, because we included those amounts in our ongoing work related to collections that all States and the District of Columbia reported for the first Recovery Act quarter.

Our objective did not require a review of the overall internal control structure of the State agency. Therefore, we limited our internal control review to the State agency's procedures for aggregating Medicaid costs on the Form CMS-64 Summary.

We conducted fieldwork at the State agency's offices in Oklahoma City, Oklahoma.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and State plan sections,
- interviewed State agency officials to obtain an understanding of their policies and procedures for reporting collections on the CMS-64 report,
- interviewed CMS personnel responsible for reviewing the CMS-64 report,
- acquired an understanding of the methodology that the State agency used to report collections,
- obtained the CMS-64 reports that the State agency submitted for the audit period,
- traced the collection totals claimed on the CMS-64 report for each quarter to the State agency's supporting worksheets, and
- discussed our 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 objective.

FINDINGS AND RECOMMENDATIONS

From January 1, 2004, through December 31, 2009, the State agency did not accurately report all of the collections on the CMS-64 reports. The State agency reported collections of $714,135,446 ($492,195,069 Federal share) but should have reported $729,571,722 ($506,993,542 Federal share). The State agency:

- did not report collections of $15,436,276 ($10,876,852 Federal share) and

- underreported the Federal share of collections by $3,921,621(consisting of $6,910,760 that was underreported and $2,989,139 that was overreported).

Additionally, we set aside $434,721 in adjusted claims that the State agency could not support.

COLLECTIONS NOT REPORTED

The State agency did not report collections of $15,436,276 ($10,876,852 Federal share), consisting of:

- $13,336,276 ($9,305,367 Federal share) associated with probate amounts and

- $2,100,000 ($1,571,485 Federal share) associated with fraud and abuse collections.

Federal Requirements

Pursuant to sections 1903(d)(2)(A) and 1903(d)(3)(A) of the Act, a State is required to refund the Federal share of an overpayment. OMB Circular A-87, Attachment A, section C(1)(i), states that, for costs to be allowable under Federal awards, they must be net of applicable credits. Under the Act and the "applicable credit" provisions of OMB Circular A-87, the Federal share of a recovered overpayment or other recovery must be credited to the Federal award in the quarter in which it was collected. According to sections 2500.1(B) and 2500.6(B) of the manual, the State agency must report an overpayment or other collection on the CMS-64 report for the quarter in which the recovery was made and credit it at the FMAP rate for which the State was reimbursed.

Probate Amounts

For the quarters ended March 31, 2004, through September 30, 2009, the State agency inappropriately subtracted probate collection amounts from its worksheet calculation for the "other" collections line because State agency officials believed that probate collections were associated with adjusted claims and wanted to avoid duplicate reporting. However, deducting these amounts on the worksheet was incorrect because the probate collections were not associated with specific claims and therefore were not already included in the adjusted claims

subtotal. Because it inappropriately deducted probate amounts, the State agency underreported the "other" collections line by $13,336,276 ($9,305,367 Federal share).

Fraud and Abuse Collections

For the quarter ended September 30, 2009, the State agency did not report the entire amount of fraud and abuse collections. The State agency identified $2,353,239 ($1,763,517 Federal share) as fraud and abuse collections during the quarter. Because of an error, only $253,239 was entered on the fraud and abuse line, and a Federal share of $192,032 was automatically calculated. The State agency did not report the difference of $2,100,000 ($1,571,485 Federal share).

UNDERREPORTED FEDERAL SHARE OF COLLECTIONS

The State agency underreported the Federal share of collections by $3,921,621, consisting of:

- $6,475,470 related to the increased funding during the Recovery Act period,
- $435,290 related to miscellaneous errors, and
- $2,989,139 of overreported Federal share related to the application of the wrong FMAPs.

Federal Requirement

Instructions for line 9 in the manual, section 2500.1(B), indicate that States should compute the Federal share of collections at the Federal matching rate at which CMS matched the original expenditure.

Increased Funding During the Recovery Act Period

Oklahoma's FMAP before the Recovery Act increases was 65.90 percent. The Recovery Act raised the percentage to 74.94 percent (a 9.04-percent increase) from October 1, 2008, through June 30, 2009, and to 75.83 percent (a 9.93-percent increase) from July 1 through December 31, 2009.

The State agency did not consistently apply Recovery Act FMAPs when it computed the Federal share of adjusted claims that were originally paid by the State agency and matched by CMS during the Recovery Act period. As a result, the State agency underreported the Federal share on the "other" collections line by $6,475,470.

The State agency did not apply the Recovery Act FMAP to any adjusted claims that were originally paid from October 1 through December 31, 2008, but adjusted in subsequent quarters.[3] The Recovery Act retroactively increased the FMAP for that period, but the State agency official

[3] In this report, we address only claims paid during this quarter but adjusted during subsequent quarters. We will address the State agency's application of the Recovery Act FMAP to collections paid and adjusted during the quarter ended December 31, 2008, in our ongoing nationwide review.

did not update the FMAP on the worksheet used to calculate the amount reported on the "other" collections line for subsequent quarters. This caused the State agency to underreport the Federal share by $807,798.

For most adjusted claims that originally were paid from January 1 through September 30, 2009, the State agency developed a methodology under which it applied the Recovery Act FMAPs to only 11 or 12 percent of the total dollars associated with those claims. For the remaining dollars, the State agency applied the FMAP in effect before the Recovery Act increases. The State agency should have applied the appropriate Recovery Act FMAPs to the entire amount. This methodology caused the State agency to underreport the Federal share by $5,667,672.

Miscellaneous Errors

The State agency made four miscellaneous errors and thus underreported the Federal share of collections by $435,290. Specifically, the State agency:

- incorrectly applied the FMAP in effect at the time of reporting ($207,357),
- excluded the Federal share of one collection item ($128,734),
- lacked support for the FMAPs applied to the adjusted claim amounts ($57,116), and
- applied an incorrect FMAP ($42,083).

Incorrectly Applied the Federal Medical Assistance Percentage in Effect at the Time of Reporting

To arrive at the Federal share reported on the "other" collections line for the quarter ended September 30, 2004, the State agency multiplied the line total by the FMAP in effect at that time. Although the State agency official had calculated on the worksheet the Federal shares of adjusted claims using the FMAP at which CMS originally paid, the official did not report the total of those calculated Federal shares. Consequently, the State agency underreported the Federal share by $207,357.

Excluded the Federal Share of One Collection Item

For the quarter ended September 30, 2008, the State agency did not include the Federal share of $128,734 related to one fraud and abuse collection item. As a result, the State agency underreported the fraud and abuse collections line by this amount.

Lacked Support for Federal Medical Assistance Percentages Applied to Adjusted Claim Amounts

The original worksheets that the State agency provided to support the "other" collections lines for the quarters ended March and June 2004 did not list the FMAPs at which the adjusted claims were originally paid. The State agency identified the FMAPs that should have been applied to the adjusted claim amounts and recalculated the Federal shares. The recalculation was $57,116

higher than the amounts originally reported on the CMS-64 reports; therefore, the Federal shares on the "other" collections lines were underreported by that amount.

Applied an Incorrect Federal Medical Assistance Percentage

For the quarter ended September 30, 2009, the State agency used an incorrect FMAP to calculate the Federal shares for third-party liability collections and Insure Oklahoma premiums. As a result, the State agency underreported the Federal share of the third-party liability line by $36,772 and the "other" collections line by $5,311.

Overreported Federal Share Related to the Application of Incorrect Federal Medical Assistance Percentages

For the quarter ended September 30, 2009, the State agency correctly reported $36,219,592, the amount calculated for "other" collections on the worksheet, on the CMS-64 report. According to a State agency official, the CMS-64 report automatically calculated an incorrect Federal share of $27,465,316 by applying the FMAP in effect at the time, which was 75.83 percent. The State agency should have manually entered the correct Federal share of $24,476,177, which was calculated based on the original FMAPs, when it reported the $36,219,592 amount. Because the State agency did not manually enter the correct amount, it overreported the Federal share on the "other" collections line by $2,989,139.

COLLECTIONS NOT SUPPORTED

Section 2500(A)(1) of the manual states that documentation supporting the amounts reported on the CMS-64 report must be in readily reviewable form and available immediately at the time the claim is filed.

For the quarter ended September 30, 2004, the worksheet used to calculate the "other" collections did not include the FMAPs at which the adjusted claims were originally paid. The State agency provided a revised worksheet that included the applicable FMAPs and the adjusted claim amounts. However, the adjusted claim total on the revised worksheet was $19,221,726 rather than the $19,656,447 included on the original worksheet. State agency officials could not explain the difference of $434,721; therefore, we set this amount aside.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government $14,798,473, consisting of:
    - the $10,876,852 Federal share of collections not reported and
    - the $3,921,621 underreported Federal share of collections ($6,910,760 that was underreported and $2,989,139 that was overreported);

- work with CMS to determine what portion of the $434,721 in unsupported adjusted claims should be used to decrease medical assistance expenditures;

- ensure that records supporting collections reported on the CMS-64 report are maintained and readily available; and

- establish review procedures to ensure that collections are correctly compiled, assigned, and reported on the CMS-64 report.

STATE AGENCY COMMENTS

The State agency agreed with three of our four recommendations. Specifically, the State agency said that it had either refunded or planned to refund the entire $14,798,473 and explained that it would strive to ensure that records supporting collections are readily available and develop further review procedures related to the reporting of collections.

The State agency disagreed with our recommendation to work with CMS to determine what portion of the $434,721 in unsupported adjusted claims should be used to decrease medical assistance expenditures. The State agency indicated that the $19,221,726 on the revised worksheet was the correct amount. Further, the State agency said that it would reduce the Federal share amount owed on the CMS-64 report for the quarter ending March 31, 2012, by $434,721.

The State agency also provided technical comments. The State agency's comments, excluding technical comments, are included as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

The State agency did not provide new documentation to support its position that the $19,656,447 that it originally reported for the quarter ended September 30, 2004, was incorrect, and it did not explain the variance between this amount and the $19,221,726 shown on the revised worksheet created during our audit. We maintain that the State agency should work with CMS to determine what portion of the $434,721 difference should be refunded to the Federal Government. Therefore, the State agency should not reduce the Federal share amount owed for the quarter ending March 31, 2012.

We addressed the State agency's technical comments as appropriate.

APPENDIX

APPENDIX: STATE AGENCY COMMENTS

MIKE FOGARTY
CHIEF EXECUTIVE OFFICER

MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA HEALTH CARE AUTHORITY

November 10, 2011

Ms. Patricia Wheeler
Department of Health and Human Services
Office of Inspector General
Office of Audit Services, Region VI
1100 Commerce Street, Room 632
Dallas, TX 75242

Re: Report Number: A-06-10-00057

Dear Ms. Wheeler:

Please find our response below to the above referenced Audit Report:

Finding: **Probate Amounts.**
For the quarters ending March 31,2004, through September 30,2009, the State agency inappropriately subtracted probate collection amounts from its worksheet calculation for the "other" collections line because State agency officials believed that probate collections were associated with adjusted claims and wanted to avoid duplicate reporting. Because it inappropriately deducted probate amounts, the State agency underreported the "other" collections line by **$13,336,276** (**$9,305,367** Federal share).

Response: The Oklahoma Health Care Authority (OHCA) concurs with the audit finding and has taken the following corrective actions:

For the periods ended December 31, 2009 and forward, OHCA no longer subtracts probate collection amounts from our worksheet calculation for the "other" collections line.

OHCA is currently in discussions with CMS and will make adjustments to refund the Federal share of **$9,305,367** in the March 31, 2012 CMS 64 report.

Finding: Fraud and Abuse Collections
For the quarter ended September 30, 2009, the State agency did not report the entire amount of fraud and abuse collections. The State agency did not report the difference of **$2,100,000 ($1,571,485** Federal share).

Response: OHCA concurs with the audit finding and made corrections on the CMS 64 report for the quarter ended March 31, 2010. See Attachment A, 1.

Finding: Underreported Federal Share of Collections
The State agency underreported the Federal Share of collections by **$3,921,621**, consisting of:

a. **$6,475,470** related to the increased funding during the Recovery Act period,
b. **$435,290** related to Miscellaneous errors, and
c. **$2,989,139** of overreported Federal share related to the application of the wrong FMAPs.

MIKE FOGARTY
CHIEF EXECUTIVE OFFICER

MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA HEALTH CARE AUTHORITY

Response: OHCA concurs with the audit finding and except for **$207,357** has refunded the Federal share on the CMS 64 reports noted below:

Item a. Increased Funding During the Recovery Act Period $6,475,470. OHCA made corrections on CMS 64 report for the quarter ended March 31, 2010 in the amount of **$6,036,751**. See Attachment A, 2. The amount of **$6,036,751** was based on OIG calculations which included additional adjustments. See Attachment B, 2.

Item b. Miscellaneous Errors $435,290. OHCA has not made corrections for (**$207,357**) amount and will refund the Federal share in the March 31, 2012 CMS 64 report.

OHCA made corrections for one collection item of (**$128,734**) on the CMS 64 report for the quarter ended September 30, 2010. See Attachment C, 3.

OHCA made corrections for FMAPs applied to the adjusted claim amounts (**$57,116**) on the CMS 64 report for the quarter ended September 30, 2010. See Attachment C, 4.

OHCA made corrections for an incorrect FMAP (**$42,083**) on the CMS 64.9 report for the quarter ended September 30, 2010 for (**$36,772**) See Attachment D, 5. In addition, the (**$5,311**) other collections amount was included in the OIG worksheet computations (See Attachment B, 6.) and is reflected in the **$6,036,751** correction on CMS 64 report for the quarter ended March 31,2010. See Attachment A, 2.

Item c. Overreported Federal Share Related to the Application of Incorrect Federal Medical The**$2,989,139** amount is included within the OIG worksheet computations (See Attachment B, 6.) and is reflected in the **$6,036,751** correction on CMS 64 report for the quarter ended March 31, 2010. See Attachment A, 2.

Finding: Collections Not Supported
For the quarter ended September 30, 2004, the worksheet used to calculate the “other” collections did not include the FMAPs at which the adjusted claims were originally paid. The state agency provided a revised worksheet that included the applicable FMAPs and the adjusted claim amounts. However, the adjusted claim total on the revised worksheet was $19,221,726 rather than the $19,656,447 included on the original worksheet. State agency officials could not explain the difference of $434,721; therefore, we set this amount aside.

OHCA does not concur with the $434,721 set aside. See attachments E and F documenting the $434,721 difference calculated by OHCA and OIG. In addition, OHCA is forwarding the decreasing file for the quarter ended September 30, 2010 which documents and supports the $19,221,726 amount.

OHCA will reduce the Federal share amounts owed by the $434,721 on the March 31,2012 CMS 64 report.

In addition, OHCA will strive to ensure that records supporting collections are readily available and that further review procedures be developed over collections reporting.

If you have any questions, or need any additional information, please contact me at (405) 522-7359.

Sincerely,

/S/
Carrie Evans
Chief Financial Officer
Oklahoma Health Care Authority