Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

IOWA HAS SHIFTED MEDICARE COST-SHARING FOR DUAL ELIGIBLES TO THE FEDERAL GOVERNMENT

Brian P. Ritchie
Acting Deputy Inspector General
for Evaluation and Inspections

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EXECUTIVE SUMMARY: IOWA HAS SHIFTED MEDICARE COST-SHARING FOR DUAL ELIGIBLES TO THE FEDERAL GOVERNMENT
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WHY WE DID THIS STUDY

Dually eligible beneficiaries (dual eligibles) are individuals eligible for both Medicare and Medicaid. For a certain type of dual eligibles—full-benefit dual eligibles—State Medicaid programs pay Medicare cost-sharing. Some of these payments are eligible for Federal Financial Participation (FFP). During an audit of the State of Iowa's claims for FFP for its Medicare cost-sharing payments, the Office of Inspector General (OIG) found that Iowa had made State Supplementary Payments of $1 per beneficiary per month to a group of about 41,000 dual eligibles. By making these payments, the State spent approximately $500,000 and received $39 million in FFP. We sought to determine the extent to which other States might similarly be shifting costs to the Federal government.

HOW WE DID THIS STUDY

In addition to reviewing the information collected during the audit of Iowa's claims, we conducted additional research regarding the law and regulations governing the availability of FFP for Medicare cost-sharing, and we reviewed the data available on dual eligibles, on their Medicare cost-sharing paid by State Medicaid programs, and on the eligibility of those payments for FFP. We also interviewed staff from the Centers for Medicare & Medicaid Services' (CMS) Office of Financial Management to better understand how State Medicaid programs pay Medicare cost-sharing for dual eligibles and the data available on dual eligibles for whom States pay Medicare cost-sharing.

WHAT WE FOUND

Although they are not unlawful, Iowa's $1 State Supplementary Payments were designed to maximize FFP. FFP has always been available for State Medicaid programs' payments of Medicare Part B premiums made on behalf of beneficiaries who receive Federal and State income assistance. Iowa's $1 payments are not intended as income assistance; instead, they were created for the express purpose of obtaining FFP for Medicare Part B premiums. The detailed Medicaid eligibility data necessary to evaluate whether other States have shifted costs in a manner similar to Iowa are not available for all States. States are not required to identify in the data they submit to CMS whether and why every dual eligible's Part B premiums are eligible for FFP. Therefore, an evaluation determining the extent to which other States might similarly be shifting costs to the Federal Government is not feasible.

WHAT WE RECOMMEND

We recommend that CMS (1) seek a legislative change to prevent States from using State Supplementary Payments to shift Medicare Part B premium costs for full-benefit dual eligibles to the Federal Government and (2) require States to submit more detailed eligibility information. CMS neither concurred nor nonconcurred with our recommendations. In its comments, CMS suggested that since the basis for FFP for Part B premiums is the Social Security Administration's (SSA) criteria for State Supplementary Payments, this report and its recommendations should be directed to SSA. CMS also suggested that SSA should—as an alternative to a legislative change—revise its regulatory criteria defining State Supplementary Payments to make them consistent with 42 CFR 435.232(b), which mandates guidelines for optional State Supplementary Payments. OIG has no authority to make recommendations to SSA; we continue to believe that CMS should seek a legislative change to address this issue.

TABLE OF CONTENTS

Objectives 1

Background 1

Methodology 6

Findings 8

Although not unlawful, Iowa's $1 State Supplementary Payments were designed to maximize FFP 8

Detailed Medicaid eligibility data necessary to evaluate whether other States have shifted costs similarly to Iowa are not available for all States 9

Conclusion and Recommendations 10

Agency Comments and Office of Inspector General Response 11

Appendix 12

A: State Medicaid Programs Cost-Sharing by Type of Dual Eligible 12

B: Agency Comments 13

Acknowledgments 14

OBJECTIVES

1. To describe a cost-shifting strategy implemented by the State of Iowa in Federal fiscal year (FY) 2011.
2. To determine the extent to which other States might similarly be shifting costs to the Federal Government.

BACKGROUND

Dually eligible beneficiaries (dual eligibles) are those individuals who are entitled to Medicare Part A and/or Part B and are eligible for some form of Medicaid benefits. State Medicaid programs pay Medicare premiums, deductibles, and coinsurance/copayments for certain types of dual eligibles.[1] Some of these payments by the State on behalf of dual eligibles are mandated by Federal law, whereas others are optional. State Medicaid programs may collect Federal Financial Participation (FFP) for most, but not all, of these payments.[2]

Dual Eligible Beneficiaries

There are five basic categories of dual eligibles. (This report is concerned primarily with the fifth category, full-benefit dual eligibles.) Beneficiaries in each category are entitled to different Medicaid benefits or combinations of benefits, from payment of Medicare premiums, deductibles, and/or coinsurance/copayments, to full Medicaid coverage.

Qualified Medicare Beneficiaries (QMBs). QMBs are persons who are entitled to Medicare Part A whose income does not exceed 100 percent of the Federal poverty level (FPL) and whose resources do not exceed three times the limit for Supplemental Security Income program (SSI) eligibility. They may or may not be eligible for full Medicaid benefits. State Medicaid programs must pay for QMBs' Medicare Part A premiums, if any, and Medicare Part B premiums; States may collect FFP for these payments.

Specified Low-Income Medicare Beneficiaries (SLMBs). SLMBs are persons who are entitled to Medicare Part A, have income greater than 100 percent of the FPL but less than 120 percent of the FPL, and have resources that do not exceed three times the limit for SSI eligibility. They may or may not be eligible for full Medicaid benefits. State Medicaid

[1] The discussion that follows concerning Medicaid payment of Medicare premiums, deductibles, and coinsurance is limited to Medicare fee-for-service (Part A and Part B), although State Medicaid programs also pay Medicare Advantage (Part C) premiums and copayments on behalf of certain types of dual eligibles.

[2] FFP is the percentage of Medicaid expenditures that the Federal Government pays States.

programs must pay for SLMBs' Medicare Part B premiums and may collect FFP for these payments.

Qualified Disabled and Working Individuals (QDWIs). QDWIs are persons who lost their Medicare Part A benefits as a result of returning to work. They are eligible to purchase Medicare Part A benefits, have income that does not exceed 200 percent of FPL, have resources that do not exceed twice the limit for SSI eligibility, and are not otherwise eligible for Medicaid (i.e., they are not eligible for Medicaid payment for health care services). State Medicaid programs must pay for QDWIs' Medicare Part A premiums and may collect FFP for these payments.

Qualifying Individuals (QIs). QIs are persons who are entitled to Medicare Part A, have income of at least 120 percent of FPL but less than 135 percent of FPL, have resources that do not exceed three times the limit for SSI eligibility, and are not otherwise eligible for Medicaid. State Medicaid programs must pay for QIs' Medicare Part B premiums and may collect FFP for these payments.

Full-Benefit Dual Eligibles (FBDEs). FBDEs are entitled to Medicare Part A and/or Part B and are eligible for full Medicaid benefits, either categorically or through optional coverage groups.[3] They are not eligible for Medicaid as QMBs, SLMBs, QDWIs, or QIs. State Medicaid programs have the option to pay—but are not required to pay—Medicare Part B premiums on behalf of FBDEs. State Medicaid programs may collect FFP for such payments made on behalf of FBDEs who are actual or "deemed" recipients[4] of cash assistance, including SSI, State Supplementary Payments, and Temporary Assistance for Needy Families (TANF).[5] FFP is not available for Medicare Part B premiums paid on behalf of FBDEs who are not recipients of cash assistance.

See Appendix A for a table summarizing the categories of dual eligibles and the Medicare cost-sharing that State Medicaid programs pay for these beneficiaries.

[3] Examples of optional coverage groups include medically needy individuals or individuals with special income levels who are institutionalized or participating in home- and community-based waiver programs.

[4] Beneficiaries are deemed to be recipients of cash assistance pursuant to various provisions of the Social Security Act (the Act). For example, section 1619(b) of the Act states that an individual receiving SSI on the basis of disability or blindness may be deemed eligible for continued SSI recipient status and Medicaid when the individual's earnings (alone or in combination with other income) make him/her ineligible for cash payments. Federal regulations at 42 CFR § 431.625(d)(2) summarize the various deeming provisions of the Act.

[5] The Act, §§ 1903(a)(1) and 1905(a).

Supplemental Security Income and State Supplementary Payments

Established in 1972, SSI is a Federal income-supplement program funded by general tax revenues.[6] The SSI program was meant to replace three State-operated, federally assisted welfare programs that then existed—Old-Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled—with a new wholly Federal program of supplemental income.[7] SSI continues to provide cash to meet basic needs for eligible aged, blind, and disabled individuals. The SSI program also allows States to provide supplements to Federal SSI payments to help individuals meet their needs.[8] These supplements are called State Supplementary Payments. They can be made to SSI recipients (or those who would, but for their income, be eligible for SSI) as cash payments on a regular basis (at least quarterly) in an amount based on the need or income of an individual or couple.[9]

There are two types of State Supplementary Payments: mandatory and optional. States are required to make certain mandatory payments to maintain their eligibility to participate in Medicaid.[10] States may also opt to make payments to individuals whose needs are not met by their income and who (1) are receiving SSI payments or (2) would, but for their income, be eligible to receive SSI payments.[11] Forty-four States currently make optional State Supplementary Payments to qualifying individuals; the amount each individual receives is determined by the State.[12]

States that participate in State Supplementary Payments may either contract with the Social Security Administration (SSA) to administer the payments, in which case SSA is paid by the State to operate the program, or States may make State Supplementary Payments directly to qualifying

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[6] Social Security Amendments of 1972, P.L. No. 92-603, Title III (Oct. 30, 1972).

[7] Senate Report 92-1230, p. 75; Social Security Administration, *2011 Annual Report of the SSI Program (Annual Report)*, § III.

[8] Ibid., p. 277.

[9] The Act § 1616(a); 20 CFR 416.2001(a).

[10] Social Security Administration, *State Assistance Programs for SSI Recipients, January 2011—Guide to Reading the State Summaries*, January 2011. Accessed at http://www.ssa.gov/policy/docs/progdesc/ssi_st_asst/2011/guide.html on August 17, 2012.

[11] To qualify for SSI, a person must be age 65 or older, blind, or disabled; be a U.S. citizen or national or one of certain categories of aliens; and have limited income and resources. States can choose to make State Supplementary Payments to individuals who would qualify for SSI except that their income is too high. Social Security Administration, *Understanding Supplemental Security Income SSI Eligibility Requirements—2013 Edition*. Accessed at http://www.ssa.gov/ssi/text-eligibility-ussi.htm on September 17, 2013.

[12] Ibid.

individuals. Because optional State Supplementary Payments are funded by State revenues, States have a great deal of flexibility in defining who receives these payments and the amounts paid.

"Buy-In" Agreements

Section 1843 of the Act allows a State Medicaid program to enter into an arrangement, known as a "buy-in" agreement, with the Centers for Medicare & Medicaid Services (CMS). A buy-in agreement is the mechanism by which a participating State Medicaid program can enroll dual eligibles in Medicare Part B and pay the monthly premiums on their behalf.[13] To be eligible for enrollment in a Part B buy-in agreement, an individual must be eligible to receive Medicaid under the State's plan, or be a QMB or an SLMB.

Buy-in agreements are implemented through an automated exchange of data among the States, CMS, and SSA, which share responsibility for identifying eligible individuals and submitting data updates on those individuals.[14] The participants in the data exchange use codes that group individuals into eligibility categories and identify which groups' Part B premiums are eligible for FFP. CMS maintains a master enrollment file of Medicare eligibility information that includes updates from States and SSA.[15] Table 1 shows the codes that States use to identify groups of dual eligibles in the monthly updates, and Table 2 shows the SSI status codes that CMS uses for adding or updating dual eligibles.

Table 1: Buy-in Eligibility Codes

Code*	Eligibility Category
A	Aged recipient of Federal SSI payments
B	Blind recipient of Federal SSI payments
C	Entitled under Part A of Title IV
D	Disabled recipient of Federal SSI payments
L	Specified Low-Income Medicare Beneficiary (SLMB)
M	Entitled to medical assistance only, noncash recipient
P	Qualified Medicare Beneficiary (QMB)
Z	Deemed categorically needy

*In addition to these federally defined codes, States can also define their own eligibility codes to identify additional eligibility categories.

Source: CMS, *State Buy-In Manual*, Pub. 100-24, ch. 5, § 540, 2003.

[13] States also can pay Part A premiums on behalf of QMBs as part of a buy-in agreement.

[14] CMS, *State Buy-In Manual*, Pub. 24, ch. 4, § 400. CMS revised and transferred several chapters of the *State Buy-In Manual* from the paper version (Pub. 24) to an Internet-only version (Pub. 100-24). Other chapters remain in the paper version.

[15] Ibid.

Table 2: SSI Status Codes

Code	Eligibility Category
C	Conditionally eligible for SSI
E	Eligible for SSI and may or may not be receiving federally administered State supplementary payments
M	Special SSI payment for individuals engaged in substantial gainful activity
S	Eligible for SSI and is receiving federally administered State Supplementary Payments only

Source: CMS, *State Buy-In Manual*, Pub. 100-24, ch. 5, § 530, 2003.

Audit of Iowa Cost-Sharing Payments and Claims for FFP

During an audit of Iowa's claims for FPP for Medicare cost-sharing payments made through the State's buy-in agreement in FY 2011, the Office of Inspector General (OIG) found that Iowa was making a State Supplementary Payment of $1 per beneficiary per month to a group of approximately 41,000 FBDEs.[16, 17] OIG found that Iowa made such payments in FY 2011, paid Part B premiums on behalf of individuals receiving these payments, and received FFP for the premium payments. The recipients of these $1 payments were not receiving any other cash assistance.

Policy documents collected for the audit show that Iowa implemented the $1 payments for the sole purpose of allowing the State to claim FFP on payments of Medicare Part B premiums for these FBDEs. These policy documents explicitly stated that the purpose of these payments is to provide a cash benefit to certain Medicaid recipients who do not qualify for other cash assistance benefits in order to allow the State to receive FFP for the Medicare premiums that would otherwise be paid with State funds.[18]

The audit found that in FY 2011, Iowa may have spent a maximum of approximately $500,000 as a cumulative total of the $1 payments.[19] In FY 2011, Iowa received an estimated $39 million in FFP for Part B premium payments for beneficiaries receiving the $1 payments. This

[16] Within OIG, audits are conducted by the Office of Audit Services.

[17] In FY 2011, Iowa had a total of 77,874 dual eligibles. CMS, "Dual Eligible Enrollment as of July 1, 2011," *Medicaid Managed Care Enrollment Report: Summary Statistics as of July 1, 2011*.

[18] See *Iowa Administrative Bulletin (IAB)*, Vol. 27, No. 5, p. 318 (Sept. 1, 2004); *IAB*, Vol. 28, No. 10, p. 749 (Nov. 9, 2005).

[19] This figure of $500,000 was calculated by multiplying the 41,481 FBDEs by their estimated State Supplementary Payments of $12 per year, for a result of $497,772. The actual amount that Iowa spent making the State Supplementary Payments may be less, if some of the FBDEs did not receive a payment in every month of FY 2011.

represents 60 percent of the $64.7 million that Iowa received in FFP for Medicaid payments of Part B premiums overall in FY 2011.[20]

Iowa's payments complied with Federal requirements; in October 2004, staff from SSA and CMS agreed that Iowa's proposal to begin making the $1 payments was acceptable.[21] Because Iowa's $1 payments and claims for FFP based on those payments were legally appropriate, and because the objective of the audit was to identify inappropriate payments, OIG did not include these results in its audit report.[22] Instead, OIG undertook an evaluation to determine the extent to which other States might similarly be shifting costs to the Federal Government.

METHODOLOGY

We reviewed the results of the OIG audit on Iowa's claims for FFP for Medicare cost-sharing payments in FY 2011. We sought to design an evaluation to determine the extent to which States might be shifting Medicaid costs to the Federal Government by making small State Supplementary Payments. We researched the following areas:

- the types of Medicare cost-sharing that Medicaid can pay for dual eligibles;
- the data States are required to submit on the dual eligibles for whom they pay Medicare cost-sharing; and
- the safeguards surrounding State-reported data on dual eligibles and cost-sharing.

We also interviewed staff from the CMS Office of Financial Management to better understand buy-in agreements and the data available on dual eligibles for whom States pay Medicare cost-sharing.

[20] We did not determine the extent to which, prior to FY 2011, Iowa had been making $1 State Supplementary Payments and receiving FFP for Part B premiums paid on behalf of those recipients. In its August 2004 letter to the regional commissioner for SSA, Iowa stated its intention to begin making the $1 State Supplementary Payments retroactive to October 1, 2003.

[21] In October 2004, Iowa received approval from SSA and CMS to begin making the $1 payments. A teleconference was held in December 2003, at which the Iowa Department of Human Services, SSA central and regional offices, and CMS staff all agreed that the payment amounts and eligibility criteria proposed were acceptable. Letter from Ramona Schuenmeyer, Acting Regional Commissioner, SSA, to Ann Wiebers, Division Administrator, Iowa Department of Human Services, dated October 5, 2004.

[22] OIG, *Iowa Did Not Properly Pay Some Medicare Part A and Part B Deductibles and Coinsurance* (A-07-12-03178), November 2012.

Standards

This study was conducted in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

FINDINGS

Although not unlawful, Iowa's $1 State Supplementary Payments were designed to maximize FFP

When the SSI program was established in 1972,[23] it was envisioned as a basic national "income maintenance program" for the aged, blind, and disabled,[24] designed to ensure that these individuals would no longer have to subsist on incomes below the poverty level.[25] The SSI program allows States to provide supplements to Federal SSI payments—State Supplementary Payments—to further help individuals meet their needs.[26] SSA's 2011 *Annual Report* on the SSI program states: "In designing the SSI program, Congress recognized that States, in many instances, may want to provide a higher level of income maintenance than that provided by the Federal program."[27]

Section 1905(a) of the Act allows States that provide such income maintenance through State Supplementary Payments to FBDEs to claim FFP for Medicaid payments of Medicare Part B premiums made on behalf of those beneficiaries. However, if an FBDE does not receive cash assistance from the State, the State cannot claim FFP for Medicaid payments of Medicare Part B premiums made on that beneficiary's behalf.

Iowa has implemented a State Supplementary Payment for the express purpose of obtaining FFP for the State's payment of Medicare Part B premiums already being paid by its Medicaid program; in FY 2011, Iowa obtained $39 million—an amount that otherwise would have been paid by the State—in FFP for beneficiaries receiving the $1 payments. Given that the payments amount to $12 per year per beneficiary, they have little effect on the income level of the recipients. The SSI program was intended to ensure that recipients would no longer have to subsist on incomes below the poverty level; however, these payments exist for the sole purpose of maximizing Iowa's receipt of FFP.

[23] Social Security Amendments of 1972, P.L. NO. 92-603, Title III (Oct. 30, 1972).
[24] Senate Report 92-1230, p. 384.
[25] House Committee on Ways and Means, *1996 Green Book*, p. 258.
[26] Ibid., p. 277.
[27] *Annual Report*, § III.

Detailed Medicaid eligibility data necessary to evaluate whether other States have shifted costs similarly to Iowa are not available for all States

In their data updates to CMS on individuals eligible for Medicaid payments of Medicare cost-sharing, States are not required to submit codes identifying why every dual eligible's Part B premiums are eligible for FFP. There is no code in use by all States that specifically identifies beneficiaries receiving State Supplementary Payments, which is the population that would potentially be affected by Iowa's cost-shifting strategy. In States in which SSA administers the State Supplementary Payment program, there are CMS data that identify beneficiaries receiving State Supplementary Payments. However, these data represent only a fraction of the dual eligible population that could receive State Supplementary Payments. To conduct a multi-State evaluation identifying the extent to which States are shifting the Part B premium costs for these beneficiaries to the Federal government would require detailed information on every dual eligible indicating why the State's payments of Part B premiums were eligible for FFP.

CONCLUSION AND RECOMMENDATIONS

The $1 State Supplementary Payments that Iowa made allowed the State to claim $39 million in FFP in FY 2011 that it would not otherwise have received. In essence, Iowa found a way to legally shift costs from the State to the Federal Government without a significant State contribution. Other States may be making similarly small State Supplementary Payments to accomplish similar cost-shifting. However, it is not possible to systematically evaluate the extent to which such cost-shifting occurs, as the necessary data are not available on a national basis.

We recommend that CMS:

Seek legislative change to prevent States from using State Supplementary Payments to shift Medicare Part B premium costs for FBDEs to the Federal Government

A legislative change could prohibit State Supplementary Payments for the sole purpose of creating eligibility for FFP, thereby preventing States from shifting costs for Medicare Part B premiums to the Federal Government without a significant financial contribution from the State for the purpose of supplementing beneficiaries' incomes.

Require States to submit more detailed eligibility information

CMS should require States to submit more detailed eligibility information through the data exchange that implements a buy-in agreement. This may include requiring those States without federally administered State Supplementary Payments to submit a code indicating which group of dual eligibles receives State Supplementary Payments.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its comments, CMS suggested that since the basis for FFP for Part B premiums is SSA's criteria for State Supplementary Payments, this report and its recommendations should be directed to SSA. CMS also suggested that SSA should—as an alternative to a legislative change—revise its regulatory criteria defining State Supplementary Payments to make them consistent with 42 CFR 435.232(b), which mandates guidelines for optional State Supplementary Payment programs for States that extend Medicaid eligibility to program recipients. For the full text of CMS's comments, please see Appendix B.

OIG has no authority to make recommendations to SSA, which is not part of the Department of Health and Human Services. Furthermore, our finding about Iowa's payment of a $1 State Supplementary Payment for the sole purpose of receiving FFP involves provisions of Title 19 of the Act, for which CMS has responsibility. Specifically, section 1905(a) of the Act allows States to receive FFP for the payment of Part B premiums on behalf of FBDEs who receive only State Supplementary Payments, and section 1905(j) of the Act defines State Supplementary Payments for this purpose. We reiterate our recommendation for CMS to seek a legislative change. CMS could accomplish this by proposing an amendment to sections 1905(a) and/or 1905(j) that would require States to satisfy certain additional criteria to receive FFP for payment of Part B premiums on behalf of FBDEs who receive only State Supplementary Payments.

APPENDIX A

State Medicaid Programs Cost-Sharing by Type of Dual Eligible

Category of Beneficiary		Medicare Deductibles and Coinsurance	Part A Premiums	Part B Premiums
Full-Benefit Dual Eligibles (FBDE) (there are two categories)	Entitled to Medicare Part A and/or Part B; eligible for full Medicaid benefits; recipient (actual or deemed) of money assistance, including Social Security Income (SSI), State Supplementary Payments, and Temporary Assistance to Needy Families (TANF); not a Qualified Medicare Beneficiary (QMB), Specified Low-Income Medicare Beneficiary (SLMB), Qualified Disabled and Working Individual (QDWI), or Qualifying Individual (QI).	**Conditional*** Federal Financial Participation (FFP) available	**Not allowed**	**Optional** FFP available
	All other FBDEs (i.e., not actual or deemed recipient of money assistance)	**Conditional*** FFP available	**Not allowed**	**Optional** FFP not available
QMB Only	Entitled to Medicare Part A; income ≤ 100 percent of Federal Poverty Level (FPL); resources ≤ 3x limit for SSI eligibility; not otherwise eligible for Medicaid	**Required**** FFP available	**Required** FFP available	**Required** FFP available
QMB Plus	QMBs who are eligible for coverage of Medicaid services	**Required**** FFP available	**Required** FFP available	**Required** FFP available
SLMB Only	Entitled to Medicare Part A; income > 100 percent of FPL, but < 120 percent of FPL; resources ≤ 3x limit for SSI eligibility; not otherwise eligible for Medicaid	**Not allowed**	**Not allowed**	**Required** FFP available
SLMB Plus	SLMBs who are eligible for coverage of Medicaid services	**Conditional*** FFP available	**Not allowed**	**Required** FFP available
QDWI	Lost Medicare Part A benefits due to return to work; eligible to purchase Medicare Part A; income ≤ 200 percent of FPL; resources ≤ 2x limit for SSI eligibility; not otherwise eligible for Medicaid	**Not allowed**	**Required** FFP available	**Not allowed**
QI	Entitled to Medicare Part A; income ≥ 120 percent of FPL, but < 135 percent of FPL; resources ≤ 3x limit for SSI eligibility; not otherwise eligible for Medicaid	**Not allowed**	**Not allowed**	**Required** FFP available†

***** Medicaid pays Medicare deductibles and coinsurance insofar as it pays for ***Medicaid services*** to the extent that the Medicaid rate exceeds the Medicare rate.

** A State may elect in its Plan not to pay Medicare deductibles and coinsurance when the Medicaid rate does not exceed the Medicare rate.

†Federal Medicaid Assistance Percentage equals 100 percent.

Source: Social Security Act, §§ 1902(a)(10)(E), 1903(a)(1), 1905(a), 1905(p)(1) and (3), 1905(s); 42 CFR § 431.625(d).

APPENDIX B

Agency Comments

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

DATE: MAR 11 2014

TO: Daniel R. Levinson
Inspector General

/S/

FROM: Marilyn Tavenner
Administrator

SUBJECT: Office of Inspector General (OIG) Draft Report: Iowa Has Shifted Medicare Cost-Sharing for Dual Eligibles to the Federal Government (OEI-07-13-00480)

The Centers for Medicare & Medicaid Services (CMS) has received and reviewed the draft report referenced above. We thank OIG for sharing this draft report with us.

The report directs its recommendations at CMS and recommends a statutory change. However, as the report notes, the Social Security Administration (SSA) confirmed in 2003 that the $1 supplement satisfied the relevant SSA criteria for state supplements, and as it is SSA criteria on which CMS bases its Federal Financial Participation-for-Part-B-premiums authority under 42 CFR 431.625(d), we believe that the report should be directing its recommendations at SSA and the statute underlying SSA's determination.

A separate Medicaid regulatory provision, 42 CFR 435.232(b), mandates guidelines for optional state supplementary payment programs for states that extend categorical Medicaid eligibility to program recipients. This provision provides a different and more exacting definition of a state supplementary payment (e.g., payment must be in an amount equal to the difference between the income standard for the supplement and an individual's countable income, which contrasts with Iowa's standardless $1 payment program). It may be possible that harmonization of SSA regulatory criteria with 42 C.F.R. 435.232(b), instead of a statutory amendment, may offer a solution to address this situation.

As always, CMS appreciates the opportunity to comment on these reports, and we look forward to working with OIG on this and other issues in the future.

ACKNOWLEDGMENTS

This report was prepared under the direction of Brian T. Whitley, Regional Inspector General for Evaluation and Inspections in the Kansas City regional office.

Michala Walker served as the team leader for this study. Other Office of Evaluation and Inspections staff from the Kansas City regional office who conducted the study include Teresa Dailey and Rae Hutchison. Central office staff who provided support include Heather Barton, Michael I. Joseph, and Christine Moritz.

Office of Inspector General

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