

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**ALABAMA RECEIVED MILLIONS  
IN UNALLOWABLE PERFORMANCE  
BONUS PAYMENTS UNDER  
THE CHILDREN'S HEALTH  
INSURANCE PROGRAM  
REAUTHORIZATION ACT**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



Daniel R. Levinson  
Inspector General

August 2013  
A-04-12-08014

# *Office of Inspector General*

<https://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 <https://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

*Of the performance bonus payments Alabama received for fiscal years 2009 and 2010 under the Children's Health Insurance Program Reauthorization Act, more than \$88 million (92 percent) was unallowable.*

### WHY WE DID THIS REVIEW

The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) directly affects both the Children's Health Insurance Program and Medicaid. Under CHIPRA, Congress appropriated \$3.225 billion for qualifying States to receive performance bonus payments (bonus payments) for Federal fiscal years (FYs) 2009 through 2013 to offset the costs of increased enrollment of children in Medicaid.

We reviewed the bonus payments that Alabama received for FYs 2009 and 2010 because the amounts of the payments were relatively high compared with those of other States receiving bonus payments. Alabama received \$95 million (34 percent) of the \$281 million in bonus payments made to all States for these 2 years.

Our objective was to determine whether the bonus payments Alabama received were allowable in accordance with Federal requirements.

### BACKGROUND

The Centers for Medicare & Medicaid Services (CMS) administers the Medicaid program at the Federal level and is the agency responsible for determining whether a State meets the requirements to receive a bonus payment and, if so, what the amount of a State's bonus payment should be. CMS makes its determinations on the basis of, in part, Medicaid enrollment information provided by the States in their requests for bonus payments. The Alabama Medicaid Agency (State agency) administers Alabama's Medicaid program and is the State agency that requested the bonus payments Alabama received for FYs 2009 and 2010.

A State is eligible for a bonus payment if it, among other requirements, increases its current enrollment of qualifying children (current enrollment) above the baseline enrollment of qualifying children (baseline enrollment) for a given year as specified in CMS guidance.

### WHAT WE FOUND

The majority (92 percent) of bonus payments that Alabama received for FYs 2009 and 2010 was not allowable in accordance with Federal requirements. Although most of the data elements used in the bonus payment calculations were in accordance with Federal requirements, the State agency overstated its FYs 2009 and 2010 current enrollment in its requests for bonus payments. The State agency overstated its current enrollments because, rather than reporting a *monthly average* enrollment of qualifying children, it reported to CMS the total number of all qualifying children that had been enrolled in its program for each year reviewed. As a result, CMS overpaid Alabama \$88,197,498 in bonus payments.

## **WHAT WE RECOMMEND**

We recommend that the State agency:

- refund \$88,197,498 to the Federal Government and
- ensure that future requests for bonus payments are calculated using the *monthly average* number of qualifying children and not the total number per year of qualifying children in Alabama Medicaid, to comply with Federal requirements.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our second recommendation and disagreed with our first recommendation to refund \$88,197,498 to the Federal Government. The State agency acknowledged engaging in extensive discussion with us about Medicaid enrollment data sources and information systems. However, the State agency said that, at this time, it believes that its public resources would best be expended in further discussions with CMS and through continuing use of innovative efforts to enroll and retain all eligible Alabama children in Medicaid.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

After review and consideration of the State agency's comments, we maintain that our findings and recommendations are appropriate. In our discussions, the State agency raised concerns about the current and baseline enrollment numbers that we used to calculate the bonus payments.

Our calculation of the bonus payments that Alabama should have received for FYs 2009 and 2010 was based on Federal requirements, and we used enrollment data that were available and current at the time that the State agency requested the bonus payments. We will share our supporting information with CMS to assist the State agency and CMS in reaching resolution.

## TABLE OF CONTENTS

INTRODUCTION .....	1
Why We Did This Review .....	1
Objective .....	1
Background .....	1
The Medicaid Program: How It Is Administered .....	1
Bonus Payments .....	1
How We Conducted This Review .....	2
FINDINGS .....	2
Alabama Received More Than \$88 Million in Unallowable Bonus Payments .....	2
The State Agency Did Not Calculate Current Enrollment in Accordance With Federal Requirements .....	3
RECOMMENDATIONS .....	4
STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE .....	4
State Agency Comments .....	4
Office of Inspector General Response .....	4
APPENDIXES	
A: Current Enrollment Calculations .....	5
B: Audit Scope and Methodology .....	6
C: Federal Requirements Related to Bonus Payments .....	8
D: State Agency Comments .....	12

## INTRODUCTION

### WHY WE DID THIS REVIEW

The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) directly affects both the Children's Health Insurance Program and Medicaid. Under CHIPRA, Congress appropriated \$3.225 billion for qualifying States to receive performance bonus payments (bonus payments) for Federal fiscal years (FYs) 2009 through 2013 to offset the costs of increased enrollment of children in Medicaid.

We reviewed the bonus payments that Alabama received for FYs 2009 and 2010 because the amounts of the payments were relatively high compared with those of other States receiving bonus payments. Alabama received \$95 million (34 percent) of the \$281 million in bonus payments made to all States for these 2 years.

### OBJECTIVE

Our objective was to determine whether the bonus payments Alabama received were allowable in accordance with Federal requirements.

### BACKGROUND

#### **The Medicaid Program: How It Is Administered**

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. Each State administers its Medicaid program in accordance with an approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. The Centers for Medicare & Medicaid Services (CMS) administers the Medicaid program at the Federal level. The Alabama Medicaid Agency (State agency) administers Alabama's Medicaid program.

#### **Bonus Payments**

CHIPRA, P.L. No. 111-3, directly affects both the Children's Health Insurance Program under Title XXI of the Social Security Act (the Act) and Medicaid under Title XIX of the Act. Under CHIPRA, qualifying States may receive bonus payments for FYs 2009 through 2013 to offset the costs of increased enrollment of children in Medicaid. A State is eligible for a bonus payment if it increased its current enrollment of qualifying children (current enrollment) above the baseline enrollment of qualifying children (baseline enrollment) for a given year as specified in CMS guidance.<sup>1</sup> A State must also have implemented at least five of the Medicaid enrollment and retention provisions specified in CHIPRA.

---

<sup>1</sup> Bonus payments are two tiered and are based on the level of the State's enrollment increase above the baseline enrollment. The first-tier bonus payment is available for a State that increases its current enrollment up to 10 percent above the baseline enrollment in a year. A second-tier bonus payment is available for a State that increases its current enrollment by more than 10 percent above the baseline enrollment in a year.

CMS is responsible for determining whether a State meets the requirements to receive a bonus payment and, if so, the amount of a State's bonus payment. CMS makes its determinations on the basis of, in part, Medicaid enrollment information provided by the State in its requests for bonus payments. The State agency requested the bonus payments Alabama received for FYs 2009 and 2010. Appendix A contains the details of Alabama's current enrollment calculations for these 2 FYs.

## **HOW WE CONDUCTED THIS REVIEW**

We reviewed the bonus payments that Alabama received for FYs 2009 and 2010, totaling \$39,752,546 and \$55,600,871, respectively. Our review focused on verifying the accuracy of enrollment information used in the bonus payment calculations and ensuring that the information used complied with Federal requirements. We neither assessed the State agency's internal control structure beyond what was necessary to meet our objective nor reviewed the State agency's determinations of Medicaid eligibility. Also, we did not review whether the State agency successfully implemented at least five of the Medicaid enrollment and retention provisions because we determined that there was a low risk of noncompliance.

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 contains the details of our scope and methodology, and Appendix C contains the Federal requirements related to bonus payments.

## **FINDINGS**

The majority (92 percent) of bonus payments that Alabama received for FYs 2009 and 2010 was not allowable in accordance with Federal requirements. Although most of the data elements used in the bonus payment calculations were in accordance with Federal requirements, the State agency overstated its FYs 2009 and 2010 current enrollment in its requests for bonus payments. The State agency overstated its current enrollments because, rather than reporting a *monthly average* enrollment of qualifying children, it reported to CMS the total number of all qualifying children that had been enrolled in its program for each year reviewed. As a result, CMS overpaid Alabama \$88,197,498 in bonus payments.

### **ALABAMA RECEIVED MORE THAN \$88 MILLION IN UNALLOWABLE BONUS PAYMENTS**

The majority of bonus payments Alabama received for FYs 2009 and 2010 was not allowable. Alabama received bonus payments of \$39,752,546 and \$55,600,871, respectively, for these 2 years. CMS calculated these bonus payments using the overstated current enrollment numbers that the State agency reported.

Alabama should have received bonus payments of only \$1,468,012 and \$5,687,907 for FYs 2009 and 2010, respectively, as we determined by calculating the bonus payments using the correct current enrollment numbers for these years. Therefore, of the total \$95,353,417 in bonus payments that Alabama received for these 2 years, \$88,197,498 was not allowable.

**Table 1: Alabama Bonus Payments**

	<b>FY 2009</b>	<b>FY 2010</b>	<b>Total</b>
<b>Bonus Payment Received</b>	<b>\$39,752,546</b>	<b>\$55,600,871</b>	<b>\$95,353,417</b>
Correct Bonus Payment	1,468,012	5,687,907	7,155,919
<b>Bonus Payment Not Allowed</b>	<b>\$38,284,534</b>	<b>\$49,912,964</b>	<b>\$88,197,498</b>

**THE STATE AGENCY DID NOT CALCULATE CURRENT ENROLLMENT IN ACCORDANCE WITH FEDERAL REQUIREMENTS**

The State agency reported current enrollment numbers of 474,473 and 516,469, respectively, for FYs 2009 and 2010. These numbers represented Alabama’s *total* number of qualifying children that had been enrolled for each FY. However, Federal requirements define current enrollment as the *monthly average* number of qualifying children<sup>2</sup> for the current FY for which the State’s bonus payment is being determined. Appendix A shows a comparison of the methodologies used by both the State agency and OIG to calculate current enrollment.

To follow Federal requirements, the State agency should have reported current enrollment numbers of 382,103 and 423,238, respectively, for these 2 years.

**Table 2: Alabama Medicaid Enrollment**

<b>Current Enrollment</b>	<b>FY 2009</b>	<b>FY 2010</b>
State-Reported Number	474,473	516,469
Correct Number	382,103	423,238
<b>Difference</b>	<b>92,370</b>	<b>93,231</b>

The State agency’s significant overstatement of current enrollment numbers for FYs 2009 and 2010 (over 92,000 and 93,000, respectively) caused CMS to calculate bonus payments for both years that were considerably more than allowable. On the basis of the current enrollment numbers that the State agency reported, CMS determined that Alabama qualified not only for a “Tier 1” bonus but also for a “Tier 2” bonus under the bonus payment calculation methodology. Qualifying for the Tier 2 bonus magnified the effect of the State agency’s enrollment overstatement. Appendix C contains regulatory guidance on Tier 1 and Tier 2 bonus payment calculations.

<sup>2</sup> CMS; State Health Official (SHO) Letter #09-015, CHIPRA #10: *CHIPRA Bonus Performance Payments*, Appendix II; December 15, 2009.

## RECOMMENDATIONS

We recommend that the State agency:

- refund \$88,197,498 to the Federal Government and
- ensure that future requests for bonus payments are calculated using the *monthly average* number of qualifying children and not the total number per year of qualifying children in Alabama Medicaid, to comply with Federal requirements.

## STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

The State agency's comments are included in their entirety as Appendix D.

### STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our second recommendation and disagreed with our first recommendation to refund \$88,197,498 to the Federal Government. The State agency acknowledged engaging in extensive discussion with us about Medicaid enrollment data sources and information systems. However, the State agency said that, at this time, it believes that its public resources would best be expended in further discussions with CMS and through continuing use of innovative efforts to enroll and retain all eligible Alabama children in Medicaid.

### OFFICE OF INSPECTOR GENERAL RESPONSE

After review and consideration of the State agency's comments, we maintain that our findings and recommendations are appropriate. In our discussions, the State Agency raised concerns about the current and baseline enrollment numbers that we used to calculate the bonus payments.

Our calculation of the bonus payments that Alabama should have received for FYs 2009 and 2010 was based on Federal requirements, and we used enrollment data that were available and current at the time that the State agency requested the bonus payments. We will share our supporting information with CMS to assist the State agency and CMS in reaching resolution.

**APPENDIX A: CURRENT ENROLLMENT CALCULATIONS**

**STATE AGENCY’S CALCULATION OF FISCAL YEARS 2009 AND 2010  
CURRENT ENROLLMENT**

The State agency calculated its current enrollment numbers for FYs 2009 and 2010 by obtaining a total of qualifying children who were ever enrolled for each FY from its Medicaid enrollment system.

**Table 3: State Agency’s Reported Current Enrollment**

<b>Total of Qualifying Children</b>	
<b>FY 2009</b>	<b>FY 2010</b>
474,473	516,469

**OFFICE OF INSPECTOR GENERAL’S CALCULATION OF FISCAL YEARS 2009  
AND 2010 CURRENT ENROLLMENT**

In accordance with Federal requirements, we calculated the current enrollment numbers for FYs 2009 and 2010 by:

- obtaining the count of qualifying children for each month from the CMS Medicaid Statistical Information System State Summary Datamart,
- summing the monthly count of qualifying children for the FY, and
- dividing the sum for each FY by 12 to obtain the monthly average number of qualifying children for the FY.

**Table 4: Correct Current Enrollment Calculation**

<b>Month</b>	<b>Qualifying Children</b>	
	<b>FY 2009</b>	<b>FY 2010</b>
Oct	368,572	407,823
Nov	368,946	408,601
Dec	368,676	408,755
Jan	372,259	412,161
Feb	376,148	415,065
Mar	380,543	420,222
Apr	383,609	424,624
May	384,843	427,161
Jun	387,854	430,251
Jul	392,147	435,280
Aug	397,887	442,157
Sep	403,754	446,757
<b>Total</b>	<b>4,585,238</b>	<b>5,078,857</b>
<b>Monthly Average (Total/12)</b>	<b>382,103</b>	<b>423,238</b>

## **APPENDIX B: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

We reviewed the bonus payments that Alabama received for FYs 2009 and 2010, totaling \$39,752,546 and \$55,600,871, respectively. Our review focused on verifying the accuracy of enrollment information used in the bonus payment calculations and ensuring that the information used complied with Federal requirements. We neither assessed the State agency's internal control structure beyond what was necessary to meet our objective nor reviewed the State agency's determinations of Medicaid eligibility. Also, we did not review whether the State agency successfully implemented at least five of the Medicaid enrollment and retention provisions because we determined that there was a low risk of noncompliance.

We performed our fieldwork at the State agency offices in Montgomery, Alabama, and at CMS offices in Baltimore, Maryland, from April through August 2012.

### **METHODOLOGY**

To accomplish our objective, we:

- reviewed applicable Federal requirements;
- met with CMS program management officials to discuss:
  - Medicaid enrollment and retention provisions for bonus payments,
  - program oversight, and
  - potential CMS concerns with the State agency's compliance with Federal requirements;
- met with CMS financial management officials to obtain an understanding of the process that States should follow when requesting bonus payments;
- reviewed CMS's detailed calculations<sup>3</sup> of Alabama's bonus payments for FY 2009 and 2010;
- verified supporting documentation for all data elements used in Alabama's bonus payment calculations, including baseline enrollment and projected per capita State Medicaid expenditures;
- reviewed CMS's oversight, validation, and approval processes for bonus payments;

---

<sup>3</sup> Appendix II of CMS's SHO Letter, # 09-015, CHIPRA #10, describes the data elements, processes, and methodologies for calculating the bonus payments.

- conducted a risk assessment of the State agency's noncompliance with Federal requirements;
- met with State agency officials to:
  - discuss the State agency's requests for bonus payments,
  - obtain correspondence between the State agency and CMS, and
  - understand the State agency's methodology for determining the current enrollment it reported in its requests for bonus payments;
- analyzed the State agency's documentation supporting its requests for bonus payments;
- reviewed State Medicaid enrollment system data;
- reviewed Alabama's enrollment and expenditure data from the CMS Medicaid Statistical Information System State Summary Datamart;
- calculated Alabama's FYs 2009 and 2010 current enrollment numbers; and
- recalculated Alabama's bonus payments using correct, verified data.

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 C: FEDERAL REQUIREMENTS RELATED TO BONUS PAYMENTS**

### **PURPOSE AND CALCULATION METHODOLOGY**

Section 2105(a)(3) of the Act states that performance bonus payments are intended to offset additional Medicaid and Children’s Health Insurance Program child enrollment costs resulting from enrollment and retention efforts. The payments are made to a State for a FY as a single payment not later than the last day of the first calendar quarter of the following FY.<sup>4</sup> Additional guidance provided by CMS<sup>5</sup> requires that payments to qualifying States be made by December 31 of the calendar year (CY) following the end of the FY for which the criteria were implemented. The bonus payments are provided to a State through a grant award.

Section 2105(a)(3)(B) of the Act requires that the bonus payment amount available to a State for any FY be equal to the sum of the following amounts:

- (i) First tier above baseline Medicaid enrollees. — An amount equal to the number of first tier above baseline child enrollees (as determined under subparagraph (C)(i)) under title XIX for the State and FY, multiplied by 15 percent of the projected per capita State Medicaid expenditures (as determined under subparagraph (D)) for the State and FY under title XIX.
  
- (ii) Second tier above baseline Medicaid enrollees. — An amount equal to the number of second tier above baseline child enrollees (as determined under subparagraph (C)(ii)) under title XIX for the State and FY, multiplied by 62.5 percent of the projected per capita State Medicaid expenditures (as determined under subparagraph (D)) for the State and FY under title XIX.

### **ENROLLMENT AND RETENTION PROVISIONS**

Sections 2105(a)(4)(A-H) of the Act require a State to implement at least five of these enrollment and retention provisions throughout the FY to qualify for a bonus payment: allowing continuous eligibility, liberalizing asset requirements, eliminating an in-person interview requirement, using joint applications for Medicaid and the Children’s Health Insurance Program, using automatic (or administrative) renewals, using presumptive eligibility for children, using an express lane, and using premium assistance subsidies. Our audit did not include verification of the implementation of these programmatic goals, but we include them here to provide context for the bonus payments:

- (A) Continuous eligibility. – The State has elected the option of continuous eligibility for a full 12 months for all children described in section 1902(e)(12) under title XIX under 19 years of age....

---

<sup>4</sup> Section 2105(a)(3)(A) of the Act.

<sup>5</sup> CMS, SHO Letter #09-015, CHIPRA #10.

- (B) Liberalization of asset requirements. –
- (i) ...The State does not apply any asset or resource test for eligibility for children under title XIX or this title.
  - (ii) ...The State. –
    - (I) permits a parent or caretaker relative who is applying on behalf of a child for medical assistance ... to declare and certify by signature under penalty of perjury information relating to family assets for purposes of determining and redetermining financial eligibility; and
    - (II) takes steps to verify assets through means other than by requiring documentation from parents and applicants except in individual cases of discrepancies or where otherwise justified.
- (C) Elimination of in-person interview requirement. – The State does not require an application ... to be made in person nor does the State require a face-to-face interview, unless there are discrepancies or individual circumstances justifying an in-person application or face-to-face interview.
- (D) Use of joint application for Medicaid and [the Children’s Health Insurance Program]. – The application form and supplemental forms (if any) and information verification process is the same for purposes of establishing and renewing eligibility....
- (E) Automatic renewal (use of administrative renewal). –
- (i) ...The State provides, in the case of renewal of a child’s eligibility for medical assistance ... a pre-printed form completed by the State based on the information available to the State and notice to the parent or caretaker relative of the child that eligibility of the child will be renewed and continued based on such information unless the State is provided other information. Nothing in this clause shall be construed as preventing a State from verifying, through electronic and other means, the information so provided.
  - (ii) Satisfaction through demonstrated use of ex parte process. – A State shall be treated as satisfying the requirement of clause (i) if renewal of eligibility of children ... is determined without any requirement for an in-person interview, unless sufficient information is not in the State’s possession and cannot be acquired from other sources (including other State agencies) without the participation of the applicant or the applicant’s parent or caretaker relative.
- (F) Presumptive eligibility for children. – The State is implementing section 1920A under title XIX as well as, pursuant to section 2107(e)(1), under this title.

(G) Express lane. – The State is implementing the option described in section 1902(e)(13) under title XIX as well as, pursuant to section 2107(e)(1), under this title.

(H) Premium assistance subsidies. – The State is implementing the option of providing premium assistance subsidies under section 2105(c)(10) or section 1906A.

## **DEFINITIONS OF TERMS**

### **Baseline Number of Child Enrollees**

Section 2105(a)(3)(C)(iii)(I) of the Act states that the baseline number of child enrollees for FY 2009 “is equal to the monthly average unduplicated number of qualifying children enrolled in the State plan under title XIX during FY 2007 increased by the population growth for children in that State from 2007 to 2008 (as estimated by the Bureau of the Census) plus 4 percentage points, and further increased by the population growth for children in that State from 2008 to 2009 (as estimated by the Bureau of the Census) plus 4 percentage points....”

For each of FYs 2010, 2011, and 2012, the baseline number of child enrollees “is equal to the baseline number of child enrollees for the State for the previous FY under title XIX, increased by the population growth for children in that State from the CY in which the respective FY begins to the succeeding CY (as estimated by the Bureau of the Census) plus 3.5 percentage points.”<sup>6</sup>

### **Per Capita State Medicaid Expenditures**

Section 2105(a)(3)(D) of the Act defines projected per capita State Medicaid expenditures as:

... the average per capita expenditures (including both State and Federal financial participation) for children ... but not including children eligible for assistance by virtue of receipt of benefits under title XVI, for the most recent FY for which actual data are available (as determined by the Secretary), increased by the annual percentage increase in per capita amount of National Health Expenditures (as estimated by the Secretary) for the CY in which the respective subsequent FY ends and multiplied by a State matching percentage ... for the FY involved.

### **Qualifying Children**

Section 2105(a)(3)(F)(i) of the Act defines “qualifying children” as “children who meet the eligibility criteria (including income, categorical eligibility, age, and immigration status criteria) in effect as of July 1, 2008, for enrollment under title XIX, taking into account criteria applied as of such date under title XIX pursuant to a waiver under section 1115.” A child who is “provided medical assistance during a presumptive eligibility period under section 1920A must be considered a ‘qualifying child’ only if the child is determined to be eligible for medical

---

<sup>6</sup> Section 2105(a)(3)(C)(iii)(II) of the Act.

assistance under title XIX.” The term “qualifying children” does not include children “for whom the State has made an election to provide medical assistance under paragraph (4) of section 1903(v) or any children enrolled on or after October 1, 2013.”<sup>7</sup>

---

<sup>7</sup> Section 2105(a)(3)(F)(ii) and (iii) of the Act.

APPENDIX D: STATE AGENCY COMMENTS

Alabama Medicaid Agency



ROBERT BENTLEY  
Governor

501 Dexter Avenue  
P.O. Box 5624  
Montgomery, Alabama 36103-5624  
www.medicaid.alabama.gov  
e-mail: almedicaid@medicaid.alabama.gov

Telecommunication for the Deaf: 1-800-253-0799  
334-242-5000 1-800-362-1504



STEPHANIE MCGEE AZAR  
Acting Commissioner

May 17, 2013

Lori S. Pilcher  
Regional Inspector General for Audit Services  
Office of Audit Services, Region IV  
Office of Inspector General  
U.S. Department of Health and Human Services  
61 Forsyth Street, SW, Suite 3T41  
Atlanta, GA 30303

Re: Draft Audit Report Number A-04-12-08014

Dear Ms. Pilcher:

The Alabama Medicaid Agency (Alabama Medicaid) welcomes the opportunity to comment on the recommendations contained in the draft report from the Office of Inspector General (OIG) entitled "Alabama Received Millions in Unallowable Performance Bonus Payments Under the Children's Health Insurance Program Reauthorization Act" (Draft Report). The State of Alabama has and continues to do exemplary work towards identifying and enrolling all eligible children in Medicaid and the Children's Health Insurance Program (CHIP). In fact, the State has served as a national leader in its efforts to streamline and simplify enrollment processes for children.

Alabama Medicaid remains dedicated to working with the Centers for Medicare & Medicaid Services (CMS) to identify and verify data pertinent to the bonus program established by the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA), Pub. L. No. 111-3, § 104, 123 Stat. 8, 17 (adding Social Security Act § 2105(a)(3)-(4), codified at 42 U.S.C. § 1397ee(a)(3)-(4)). As requested in your letter dated February 28, 2013, Alabama Medicaid is providing a statement of concurrence or non-concurrence to each of the two recommendations contained in the Draft Report. Please accept this revised response to the Draft Report.

- **OIG Recommendation 1:** Refund \$88,197,498 to the Federal Government.

**Alabama Medicaid Comment:** Alabama Medicaid respectfully disagrees with OIG's recommendation. Alabama Medicaid believes that it qualified for the bonuses at issue. CMS has worked closely with Alabama Medicaid in preparing the State's yearly bonus application in compliance with federal requirements since the State's first submission in 2009.

Lori Pilcher  
May 16, 2013  
Page two

Even if one assumes for the sake of argument that certain of the bonuses paid to Alabama Medicaid in fiscal years (FYs) 2009 and 2010 were unallowable, Alabama Medicaid respectfully disagrees with the revised bonus amounts calculated by the Draft Report. For over a year, Alabama Medicaid and OIG have engaged in extensive, good-faith discussions about complex retrospective analyses of various Medicaid enrollment data sources and information systems. In support of this considerable effort, Alabama Medicaid enlisted the aid of Mathematica and Optumas Actuarial Services to analyze the State's Medicaid enrollment data and bonus calculations. While the State remains dedicated to capturing each and every qualified child in the bonus calculations, the reconstruction and validation of historical enrollment data from disparate information systems has proven a costly and time-intensive endeavor. Recent discussions with OIG have delved into complicated statistical minutiae that do not affect the Draft Report's ultimate recommendation. Therefore, at this time, Alabama Medicaid believes that public resources would best be expended in further discussions with CMS and through the continuing use of innovative efforts to enroll and retain all eligible Alabama children in Medicaid.

- **OIG Recommendation 2:** Ensure that future requests for bonus payments are calculated using the monthly average unduplicated number of qualifying children and comply with federal requirements.

**Alabama Medicaid Comment:** Alabama Medicaid concurs with this recommendation, and has ensured that its bonus applications for FYs 2011 and 2012 were calculated using the monthly average unduplicated number of qualifying children.

Thank you again for the opportunity to discuss the recommendations contained in OIG's Draft Report. If you have any questions regarding the above comments, please contact Mr. Flake Oakley at [Flake.Oakley@medicaid.alabama.gov](mailto:Flake.Oakley@medicaid.alabama.gov) .

Sincerely,



Stephanie McGee Azar  
Acting Commissioner