

## Report in Brief

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### Why OIG Did This Review

States must make medical assistance available for Medicare deductibles, coinsurance, and copayments (cost-sharing) for certain individuals who are dually eligible to be enrolled in both Medicare and Medicaid.

In North Carolina, Medicaid is required to make cost-sharing payments at the lesser of the cost-sharing amount or the Medicaid allowable payment.

While conducting work on one of North Carolina's Medicaid programs, we identified cost-sharing payments that did not comply with Federal and State requirements. Our work indicated that the issue was likely systemic.

Our objective was to determine whether North Carolina complied with Federal and State requirements when making cost-sharing payments for professional medical services for dual-eligible individuals.

### How OIG Did This Review

We calculated the Medicaid cost-sharing payment for a statistical sample of 200 professional medical services provided from July 1, 2011, through June 30, 2013. Our calculation used the required cost-sharing payment methodology.

For each sample item, we compared our calculation result to the payment made by North Carolina to determine any overpayment or underpayment.

## North Carolina Did Not Comply With Federal and State Requirements When Making Medicaid Cost-Sharing Payments for Professional Medical Services

### What OIG Found

North Carolina did not comply with Federal and State requirements when making Medicaid cost-sharing payments for professional medical services. Of the 200 sample items we reviewed, 184 were paid incorrectly. The other 16 sample items were initially paid incorrectly but were canceled prior to our sample review. For the purposes of our audit, we considered these 16 sample items to be non-errors. On the basis of our sample results, we estimated that North Carolina made at least \$63 million in improper Medicaid cost-sharing payments and claimed Federal reimbursement of at least \$41.2 million for these payments.

These improper payments occurred because North Carolina did not program its Medicaid Management Information System (MMIS) to calculate Medicaid cost-sharing payments for professional medical services in accordance with the State's required cost-sharing payment methodology.

North Carolina replaced its MMIS after our audit period. We reviewed a limited number of cost-sharing payments made after our audit period and verified that North Carolina's replacement MMIS calculated payments in compliance with the State's required cost-sharing payment methodology.

### What OIG Recommends and North Carolina Comments

We recommend that North Carolina (1) refund \$41.2 million to the Federal Government for cost-sharing payments for professional medical services that did not comply with Federal and State requirements and (2) ensure that future changes to Medicaid payment methodologies comply with the Medicaid State plan.

North Carolina disagreed with our findings and recommendations. It stated that it verbally informed CMS of its intention to deviate from the cost-sharing payment methodology in the Medicaid State plan. It further stated that CMS did not require a formal submission and that CMS did not officially comment on the change. Additionally, North Carolina stated that CMS consented to the change when it approved a State plan amendment (SPA) related to another matter. After reviewing North Carolina's comments, we maintain that the evidence supports our findings and recommendations. North Carolina must submit SPAs for material changes to its Medicaid program. The SPA it referred to was related to another matter and not relevant to North Carolina's use of predetermined percentages to calculate cost-sharing payments.