The Centers for Medicare & Medicaid Services Collected the Majority of Medicaid Overpayments but Millions Remain Uncollected

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

Daniel R. Levinson
Inspector General

February 2013
A-05-11-00071
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.
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

BACKGROUND

The Department of Health and Human Services’ (HHS) Office of Inspector General (OIG) audits the Centers for Medicare & Medicaid Services (CMS) and its grantees and contractors relating to the operations of the Medicaid program and reports any findings of unallowable expenditures, such as overpayments. The Secretary of HHS has the responsibility to recover those overpayments but has delegated that responsibility to CMS, which must aggressively and in a timely manner collect them.

When CMS concurs with a recommendation to collect overpayments, it may sustain either the entire amount or a different amount. If the State agrees in writing with OIG or CMS to refund the overpayment, the State should refund it to the Federal Government. If the State does not agree, CMS follows different procedures to resolve the OIG recommendations.

In 147 OIG audit reports issued between fiscal years 2000 and 2009, OIG recommended that States refund Medicaid overpayments, and CMS agreed to sustain $1,213,085,167.

OBJECTIVE

Our objective was to determine whether CMS had collected sustained Medicaid overpayments identified in selected OIG audit reports.

SUMMARY OF FINDINGS

As of December 2012, CMS reported collecting $987,481,600 of the $1,213,085,167 in Medicaid overpayments that it had sustained in the 147 audit reports covered by our review. However, CMS had not collected the remaining $225,603,567 because it had not always proceeded with the collection process in a timely manner. The uncollected amount related to overpayments that OIG had identified in 10 audit reports and that the States had not agreed to refund.

Also, CMS could not document that $7,174,217 that it reported as collected had been collected because it did not maintain adequate supporting documentation.

Additionally, CMS did not ensure that the States reported Medicaid overpayments on the correct lines of the CMS-64 to facilitate CMS tracking of recoveries.

RECOMMENDATIONS

We recommend that CMS:

- collect the remaining $225,603,567 that is due the Federal Government,
• review and address delays in resolving OIG audit recommendations and promptly pursue corrective actions,

• maintain adequate documentation to support the collection of overpayments in accordance with OMB Circular A-50 and CMS Standard Operating Procedures, and

• educate the States about their responsibility to report overpayments on the correct line of the CMS-64 to improve oversight of the reporting process.

CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS

In written comments on our draft report, CMS partially concurred with our first recommendation. CMS indicated that the 10 audits with outstanding amounts identified for recovery involve findings with which the States disagreed or did not voluntarily return the recommended finding amounts or both. CMS further stated that these overpayments were not immediately collected because the resolution required additional CMS review. CMS provided additional information about actions it had taken or planned to take with respect to the overpayments identified in 3 of the 10 audits and the status of resolution on the remaining 7 audits. CMS stated that it may have initially concurred with the findings and recommendations on the basis of the information in the audit report but that concurrence “… is susceptible to changing for all or a portion of the findings after review of additional information supplied by the state, review of additional state arguments, review of OIG supporting documentation, and/or further internal deliberation.” CMS concurred with our second, third, and fourth recommendations and provided information on actions that it had taken or planned to take to address them.

OFFICE OF INSPECTOR GENERAL RESPONSE

We acknowledge CMS’s authority to change a concurrence with an OIG recommendation when it receives new information from a State. However, until we receive an amended audit clearance document, the original concurrence amount remains outstanding. For the remaining uncollected amounts, including those that have been disallowed, CMS has been reviewing additional information and pursuing collections for 3 to 7 years after initial concurrence with OIG’s recommendations. We continue to maintain that these delays are not in accordance with the Federal Claims Collection Act of 1966, which requires aggressive and timely collection of overpayments, or with OMB Circular A-50 and CMS’s own policies that urge prompt resolution and corrective action on OIG audit recommendations.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>BACKGROUND</td>
<td>1</td>
</tr>
<tr>
<td>Audit Resolution</td>
<td>1</td>
</tr>
<tr>
<td>Process for Concurring With Office of Inspector General Report</td>
<td>1</td>
</tr>
<tr>
<td>Recommendations</td>
<td>2</td>
</tr>
<tr>
<td>Centers for Medicare &amp; Medicaid Services’ Procedures for Recovering</td>
<td>2</td>
</tr>
<tr>
<td>Medicaid Overpayments</td>
<td></td>
</tr>
<tr>
<td>OBJECTIVE, SCOPE, AND METHODOLOGY</td>
<td>3</td>
</tr>
<tr>
<td>Objective</td>
<td>3</td>
</tr>
<tr>
<td>Scope</td>
<td>3</td>
</tr>
<tr>
<td>Methodology</td>
<td>4</td>
</tr>
<tr>
<td>FINDINGS AND RECOMMENDATIONS</td>
<td>5</td>
</tr>
<tr>
<td>OVERPAYMENTS NOT COLLECTED</td>
<td>5</td>
</tr>
<tr>
<td>Federal Requirements</td>
<td>5</td>
</tr>
<tr>
<td>Uncollected Overpayments</td>
<td>6</td>
</tr>
<tr>
<td>REPORTED COLLECTIONS NOT SUPPORTED</td>
<td>6</td>
</tr>
<tr>
<td>Collections Identified as Reported on CMS-64s Not Supported</td>
<td>6</td>
</tr>
<tr>
<td>Collection Made Through Negative Grant Award Not Supported</td>
<td>6</td>
</tr>
<tr>
<td>OVERPAYMENTS NOT REPORTED CORRECTLY ON THE CMS-64</td>
<td>7</td>
</tr>
<tr>
<td>RECOMMENDATIONS</td>
<td>7</td>
</tr>
<tr>
<td>CENTERS FOR MEDICARE &amp; MEDICAID SERVICES COMMENTS</td>
<td>7</td>
</tr>
<tr>
<td>OFFICE OF INSPECTOR GENERAL RESPONSE</td>
<td>8</td>
</tr>
<tr>
<td>APPENDIXES</td>
<td></td>
</tr>
<tr>
<td>A: REPORTS COVERED IN THIS AUDIT BY YEAR ISSUED AND AMOUNT SUSTAINED</td>
<td></td>
</tr>
<tr>
<td>B: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES COMMENTS</td>
<td></td>
</tr>
</tbody>
</table>
INTRODUCTION

BACKGROUND

The Inspector General Act of 1978, 5 U.S.C. App. 3 (IG Act), established for each department and agency an Office of Inspector General (OIG) to (1) provide independent assessments of its programs and operations, (2) help promote the economy and efficiency of its programs and operations, and (3) keep the head of each agency and department and Congress informed about problems and deficiencies in the administration of its programs and operations. Under the IG Act, it is the “duty and responsibility” of an OIG to conduct audits of agency expenditures. To fulfill this obligation, the Department of Health and Human Services’ (HHS) OIG audits the Centers for Medicare & Medicaid Services (CMS) and its grantees and contractors relating to the operations of the Medicaid program1 and reports any findings of unallowable expenditures.

Federal regulations (42 CFR § 433.304) define an overpayment as “… the amount paid by a Medicaid agency to a provider which is in excess of the amount that is allowable for services furnished under section 1902 of the Act and which is required to be refunded under section 1903 of the Act.” Under section 1903(d)(2)(A) of the Act, the Secretary of HHS must recover the Federal share of a Medicaid overpayment from the State. The Secretary has delegated that responsibility to CMS. Pursuant to the Federal Claims Collection Act of 1966 (FCCA), as amended, and 45 CFR §§ 30.2 and 30.10, CMS must aggressively and in a timely manner collect the Federal share of all overpayments owed to CMS by the State.

Office of Management and Budget (OMB) Circular A-50, section 11, requires each Federal agency to establish accounting and collection controls to ensure effective recovery of amounts due the Government as a result of resolved audit findings and recommendations. Audit resolution occurs when the management of both CMS and OIG agree on actions to take on reported findings. CMS concurred with recommendations to refund sustained2 Medicaid improper payments totaling $1,213,085,167 (Federal share) identified in 147 OIG audit reports issued between fiscal years (FY) 2000 and 2009.3 We conducted the current audit to determine whether CMS had collected sustained Medicaid overpayments identified in selected OIG audit reports.

Audit Resolution

OMB Circular A-50 Revised, Audit Followup (the Circular), sets out policies and procedures for executive agencies to use when considering OIG audit reports that require followup.

---

1 Title XIX of the Social Security Act (the Act) established Medicaid, which provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer Medicaid. At the Federal level, CMS administers the program.

2 The amount sustained is the amount that CMS agrees should be collected and/or offset against Medicaid payments to the State.

3 All dollar amounts in this report are Federal share amounts, except where noted.
Section 6(b) of the Circular defines audit resolution as having occurred when the management of both the audit organization and the agency agree on action to take on reported findings. Section 8(a)(2) of the Circular requires resolution of audit recommendations within 6 months after issuance of a final report and states that “[c]orrective action should proceed as rapidly as possible.”

**Process for Concurring With Office of Inspector General Report Recommendations**

CMS policy also states that all audit recommendations in OIG reports should be resolved within 6 months of the report issuance dates. As detailed in the HHS *Financial Accounting Policy Manual*, section 10-41-V, CMS uses the OIG Clearance Document (OCD) to report its management decisions and actions taken on both monetary and nonmonetary recommendations. The OCD lists each audit report recommendation and indicates CMS’s concurrence or nonconcurrence with each.

CMS may concur with a recommendation to collect overpayments but elect to sustain an amount that differs from the amount recommended for collection. CMS shows the amount that it agrees to recover as a sustained amount on the OCD. CMS considers recommendations to be cleared when it reports actions to be taken on recommendations, when it submits the completed OCD to OIG, and when OIG accepts it. CMS considers recommendations to be closed when the agreed-upon actions have been implemented.

**Centers for Medicare & Medicaid Services’ Procedures for Recovering Medicaid Overpayments**

Pursuant to the CMS *State Medicaid Manual* (the Manual), section 2500.6(O), when OIG performs an audit and recommends a financial adjustment and a State agrees in writing with OIG or CMS to refund the overpayment, the State should refund the unallowable expenditure on the next Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program, Form CMS-64 (CMS-64), submitted after the written agreement. The Manual states that when a State does not report the adjustment on the next CMS-64 submission, CMS should initiate a negative grant award within 15 days of receiving the CMS-64 that should have included the refund.

CMS’s Regional Office Standard Operating Procedure, Number FM-8, “Audit Resolution Process” (SOP FM-8), sets forth CMS policies for followup on OIG audit recommendations. If a State concurs with OIG, CMS describes in the OCD the action the State has taken or plans to take to address OIG’s recommendation.

If the State does not concur, CMS, as directed by SOP FM 8, contacts the appropriate State officials to discuss the audit findings and obtain documentation to substantiate the State’s

---

4 The Federal Government pays its share (Federal share) of State Medicaid expenditures according to a defined formula. To receive Federal reimbursement, State Medicaid agencies are required to report expenditures on the CMS-64.

5 A negative grant award is an offset that CMS makes against the State’s quarterly Medicaid grant award.
position. If CMS agrees with the State’s decision, CMS follows certain procedures to “nonconcur” with OIG and close the recommendation on the OCD. The adjusted OCD should then be submitted to OIG so OIG can approve or disapprove the decision within 6 months after the audit report is issued.

When CMS does not agree with the State’s decision to nonconcur, CMS must clear the recommendation and initiate the disallowance process. CMS closes the OCD either after the State has taken action necessary to fully implement all the audit recommendations or after CMS issues a disallowance letter.

Federal regulations (42 CFR § 430.42) required the CMS Regional Administrator or the CMS Administrator to promptly send the State a disallowance letter when he or she determined that a claim or portion of a claim was not allowable. If the State disagreed with the disallowance, it had 30 days to request appeal of the disallowance to the Departmental Appeals Board (DAB). 6 Pursuant to section 1903(d)(5) of the Act, the State may retain the disallowed amount while this appeal is in process. If the disallowance is upheld, CMS makes a negative grant award to offset the amount of the disallowance plus interest from subsequent Medicaid payments to the State.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether CMS had collected sustained Medicaid overpayments identified in selected OIG audit reports.

Scope

We initially identified 152 OIG audit reports that we had issued to 11 States during FYs 2000 through 2009. 7 We judgmentally selected the 11 States on the basis of the high total dollar amount of sustained overpayments and included at least 1 State from each OIG region.

These reports included recommendations that the States and providers refund Medicaid overpayments. For these 152 reports, CMS sustained a total of $1,775,082,701 of the amounts we recommended for refund. We excluded from our review five reports with collections being handled by the Department of Justice, which totaled $561,997,534. For the remaining 147 reports, CMS sustained a total of $1,213,085,167 of the amounts we recommended for refund. Appendix A summarizes the number of reports by year and by total sustained overpayments.

6 Effective June 28, 2012, States have the option to request reconsideration of a Medicaid disallowance from the CMS Administrator during the 60-day period following receipt of notice of the disallowance. Alternatively, or in addition, States may obtain review by the DAB of either the initial agency decision or the reconsidered decision. See 77 Fed. Reg. 31499 (May 29, 2012), finalizing changes to 42 CFR § 430.42.

7 To identify the long-term collection activities related to OIG audit report findings, we chose to review a 10-year period. We used 2009 as the end of our audit period to allow CMS the required 6 months to make its management decisions and to provide additional time for collections to occur.
Our review did not require an understanding or assessment of CMS’s overall internal control structure. We limited our review of CMS’s internal controls to those related to our objective.

We performed fieldwork at CMS regional and field offices in Boston, Massachusetts; Trenton, New Jersey; Albany, New York; Philadelphia, Pennsylvania; Chicago, Illinois; Kansas City, Missouri; and Denver, Colorado, and at the CMS Central Office in Baltimore, Maryland.

**Methodology**

To accomplish our objective, we:

- reviewed applicable Federal requirements;
- reviewed OCDs for audit recommendations cleared by CMS and identified amounts sustained by CMS for recovery;
- obtained and reviewed CMS policies and procedures relating to sustaining OIG recommendations and recovering overpayments;
- interviewed CMS officials to gain an understanding of the overpayment recovery process;
- judgmentally selected 11 States—Florida, Indiana, Illinois, Kansas, Louisiana, Massachusetts, Missouri, New York, New Jersey, Oregon, and Pennsylvania—for our review on the basis of their high total dollar amount of sustained overpayments;
- identified 152 audit reports that we issued to 11 selected States during FYs 2000 through 2009 and reviewed CMS collection efforts on 147 of those audit reports with sustained overpayments totaling $1,213,085,167;
- reviewed the relevant CMS-64s; OCDs; supporting documentation; and negative grant awards, if applicable, for all 147 audit reports to determine whether the overpayments had been refunded by the State;
- reviewed CMS’s internal system (Audit Tracking and Reporting System) to (1) track CMS’s progress in clearing and closing OIG audit recommendations, (2) identify CMS’s actions taken to recover overpayments, and (3) track States’ actions to address recommendations; and
- determined whether CMS issued negative grant awards for overpayments that the States did not report on their CMS-64s.

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

As of December 2012, CMS reported collecting $987,481,600 of the $1,213,085,167 in Medicaid overpayments that it had sustained in the 147 audit reports covered by our review. However, CMS had not collected the remaining $225,603,567 because it had not always proceeded with the collection process in a timely manner. The uncollected amount related to overpayments that OIG had identified in 10 audit reports and that the States had not agreed to refund.

Also, CMS could not document that $7,174,217 that it reported as collected had been collected because it did not maintain adequate supporting documentation. Additionally, CMS did not ensure that the States reported Medicaid overpayments on the correct lines of the CMS-64 to facilitate CMS tracking of recoveries.

OVERPAYMENTS NOT COLLECTED

Federal Requirements

In accordance with the FCCA and implementing regulations, CMS should aggressively and in a timely manner collect all overpayments and audit disallowance determinations. OMB Circular A-50 requires agencies to establish accounting and collection controls to ensure effective recovery of amounts due the Government as a result of resolved OIG audit findings and recommendations. The Circular specifies prompt resolution and corrective actions on OIG recommendations, including audit resolution within 6 months after issuance of a final report and corrective action “as rapidly as possible.” The Circular requires maintaining accurate records of the status of audit recommendations through the entire process of resolution and corrective action.

Pursuant to the Manual, section 2500.6(O), when OIG performs an audit and recommends a financial adjustment and a State agrees in writing to OIG or CMS to refund the overpayment, the State should refund the unallowable expenditure on the next CMS-64. The Manual states that if the State does not make such an adjustment, CMS should initiate a negative grant award within 15 days of receiving the CMS-64 that should have included the refund.

SOP FM-8 states that if the State does not concur with OIG’s recommendations, CMS should contact State officials to discuss the findings. If CMS concurs with OIG’s recommendation but the State continues to disagree, CMS initiates a disallowance process. Under 42 CFR § 430.42, the CMS Regional Administrator or the CMS Administrator promptly sends the State a disallowance letter when he or she determines that a claim or portion of a claim is not allowable. The letter is the Department’s final decision unless the State requests reconsideration by DAB.
Uncollected Overpayments

CMS had not collected $225,603,567 relating to 10 reports as of the end of our fieldwork. For all 10 reports, the States did not agree to refund the uncollected amounts of sustained overpayments. Although CMS did not agree with the States’ decisions not to refund the sustained overpayments, CMS did not collect the overpayments in a timely manner, as shown in the table.

<table>
<thead>
<tr>
<th>Report No.</th>
<th>Date Audit Issued</th>
<th>OCD Date</th>
<th>Outstanding Amount</th>
<th>Months from OCD Date to 12/31/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-07-06-03075</td>
<td>10/20/2006</td>
<td>5/23/2007</td>
<td>$1,065,655</td>
<td>68</td>
</tr>
<tr>
<td>A-05-01-00102</td>
<td>10/18/2004</td>
<td>7/24/2008</td>
<td>$4,516,112</td>
<td>54</td>
</tr>
<tr>
<td>A-05-06-00045</td>
<td>5/13/2008</td>
<td>11/24/2008</td>
<td>$34,008,370</td>
<td>50</td>
</tr>
</tbody>
</table>

REPORTED COLLECTIONS NOT SUPPORTED

Collections Identified as Reported on CMS-64s Not Supported

CMS reported collections of $7,013,566 for eight reports but did not provide the supporting documentation that the collections were reported on the CMS-64s. CMS could not support that:

- $3,845,032 was collected for three reports via offsets on the CMS-64 and
- $3,168,534 was collected for five reports resolved under a blanket OCD.

Collection Made Through Negative Grant Award Not Supported

CMS officials informed us that CMS had processed a negative grant award to collect $160,651 for one overpayment. However, CMS did not provide documentation supporting that it made the negative grant award. The negative grant award documentation that CMS provided did not show the amount withheld.

---

8 We have updated this table with CMS collections information through the end of 2012.
OVERPAYMENTS NOT REPORTED CORRECTLY ON THE CMS-64

CMS did not ensure that the States reported all Medicaid overpayments correctly on the CMS-64. The Manual, section 2500.6(O), requires State agencies to report unallowable Medicaid amounts identified by OIG audits on either line 10A or 10B of the CMS-64. For 20 of the sampled overpayments that were reported on the CMS-64, CMS allowed the States to report these overpayments incorrectly. Reporting overpayments on the correct line of the CMS-64 allows for ease of tracking overpayments and improved oversight. CMS can more easily verify that overpayments have been reported if the States follow the Manual and report unallowable amounts on either line 10A or 10B.

RECOMMENDATIONS

We recommend that CMS:

- collect the remaining $225,603,567 that is due the Federal Government,
- review and address delays in resolving OIG audit recommendations and promptly pursue corrective actions,
- maintain adequate documentation to support the collection of overpayments in accordance with OMB Circular A-50 and CMS Standard Operating Procedures, and
- educate the States about their responsibility to report overpayments on the correct line of the CMS-64 to improve oversight of the reporting process.

CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS

In written comments on our draft report, CMS partially concurred with our first recommendation. CMS indicated that the 10 audits with outstanding amounts identified for recovery involve findings with which the States disagreed or did not voluntarily return the recommended finding amounts or both. CMS further stated that these overpayments were not immediately collected because the resolution required additional CMS review. CMS provided additional information about actions it had taken or planned to take with respect to the overpayments identified in 3 of the 10 audits and the status of resolution on the remaining 7 audits. CMS stated that it may have initially concurred with the findings and recommendations on the basis of information in the audit report but that concurrence “… is susceptible to changing for all or a portion of the findings after review of additional information supplied by the state, review of additional state arguments, review of OIG supporting documentation, and/or further internal deliberation.” CMS concurred with our second, third, and fourth recommendations and provided information on actions that it had taken or planned to take to address the recommendations.

CMS’s comments are included in their entirety as Appendix B.
OFFICE OF INSPECTOR GENERAL RESPONSE

We acknowledge CMS’s authority to change a concurrence with an OIG recommendation when it receives new information from a State. However, until we receive an amended audit clearance document, the original concurrence amount remains outstanding. For the remaining uncollected amounts, including those that have been disallowed, CMS has been reviewing additional information and pursuing collections for 3 to 7 years after initial concurrence with OIG’s recommendations. We continue to maintain that these delays are not in accordance with FCCA, which requires aggressive and timely collection of overpayments, or with OMB Circular A-50 and CMS’s own policies that urge prompt resolution and corrective action on OIG audit recommendations.
APPENDIXES
APPENDIX A: REPORTS COVERED IN THIS AUDIT
BY YEAR ISSUED AND AMOUNT SUSTAINED

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>No. of Reports</th>
<th>Sustained Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4</td>
<td>$881,644</td>
</tr>
<tr>
<td>2001</td>
<td>11</td>
<td>165,959,332</td>
</tr>
<tr>
<td>2002</td>
<td>17</td>
<td>48,402,963</td>
</tr>
<tr>
<td>2003</td>
<td>14</td>
<td>39,595,813</td>
</tr>
<tr>
<td>2004</td>
<td>16</td>
<td>42,635,333</td>
</tr>
<tr>
<td>2005</td>
<td>17</td>
<td>291,636,556</td>
</tr>
<tr>
<td>2006</td>
<td>19</td>
<td>317,888,109</td>
</tr>
<tr>
<td>2007</td>
<td>14</td>
<td>59,985,400</td>
</tr>
<tr>
<td>2008</td>
<td>17</td>
<td>134,135,387</td>
</tr>
<tr>
<td>2009</td>
<td>18</td>
<td>111,964,630</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>147</strong></td>
<td><strong>$1,213,085,167</strong></td>
</tr>
</tbody>
</table>
DATE: DEC 1 3 2012

TO: Daniel R. Levinson
Inspector General

FROM: Marilyn Tavenner
Acting Administrator


Thank you for the opportunity to review and comment on the above-referenced report. The Centers for Medicare & Medicaid Services (CMS) appreciates the contributions and valuable input from OIG on the subject of this study. The report outlined concerns with timely collection, accurate reporting, and maintaining adequate supporting documentation for Medicaid overpayments. The report concluded that of the $1,213,085,167 in overpayments reviewed by OIG, CMS had not timely collected the remaining overpayment of $226,406,165. Additionally, the report found that CMS could not provide adequate documentation to support amounts that it had reported as collected and that CMS did not ensure that states reported Medicaid overpayments on the correct lines of Form CMS-64. OIG identified 152 OIG audit reports from 11 selected states for the periods of FY 2000 through 2009. OIG excluded five reports that were being handled by the Department of Justice.

OIG Recommendation:

The OIG recommends CMS collect the remaining $226,406,165 that is due the Federal Government.

CMS Response:

The CMS concurs in part. The 10 audits (of 152 audits reviewed) with outstanding amounts identified for recovery involve findings with which the states disagreed and/or did not voluntarily return the recommended finding amount. These overpayments identified by OIG were not immediately collected because the resolution required additional CMS review. In these cases, CMS must review the states’ arguments for disagreement to determine whether OIG had properly interpreted the applicable law, regulations, state plans, and policies. While CMS may have initially concurred with the findings and recommendations based on the information in the audit report, that concurrence is susceptible to changing for all or a portion of the findings after
review of additional information supplied by the state, review of additional state arguments, review of OIG supporting documentation, and/or further internal deliberation.

Of these 10 identified audits, CMS issued disallowances to collect overpayments related to the following 2 audits:

- **A-07-05-03071 – Review of Missouri’s Accounts Receivable System for Medicaid Provider Overpayments**
  - CMS issued a disallowance (MO/2012/002/MAP) to the State of Missouri in the amount of $704,194 Federal Financial Participation (FFP) on July 24, 2012.
- **A-07-06-03075 – Medicaid Payments for Skilled Professional Medical Personnel to Missouri School Districts**
  - CMS issued a disallowance (MO/2012/001/ADM) to the State of Missouri in the amount of $963,967 FFP on July 24, 2012.

The CMS collected $54,228,046 FFP of the $88,236,417 FFP that the OIG identified as an overpayment in the following audit. The state produced documentation demonstrating the allowability of the remaining $34,008,371 FFP. Accordingly, CMS set aside the remaining amount and will amend the audit clearance document to non-concur with this portion of the audit finding amount.

- **A-05-06-00045 - Review of Indiana Medicaid Disproportionate Share Hospital Eligibility for 7/1/00 - 6/30/03**

The CMS is close to resolving the recommendations for the following 5 audits:

- **A-07-06-01029 - Review of Missouri Provider Tax**
- **A-07-04-03058 - Review of Medicaid Reimbursement of Graduate Medical Education in Missouri**
- **A-05-01-00102 - Review of Illinois Medicaid Disproportionate Share Hospital Payments to Mount Sinai Hospital of Chicago**
- **A-05-01-00099 - Review of Illinois Medicaid Disproportionate Share Hospital Payments to the University of Illinois at Chicago Hospital**
- **A-05-07-00076 - Review of Medicaid Participation Eligibility for One Indiana State-owned Psychiatric Hospital for the Period July 1, 1996, Through June 30, 2007**

The CMS is actively reviewing the following 2 audits, which require significant resources due to the amount and complexity of the documentation under review:

- **A-07-06-04063 - Review of Medicaid Outpatient Drug Expenditures in Missouri for the Period 10/1/02 - 9/30/04**
- **A-02-07-01028 - Review of Medicaid Outpatient Drug Expenditures in the State of New York for the Period 10/1/03 - 9/30/05**
OIG Recommendation:

The OIG recommends CMS review and address delays in resolving OIG audit recommendations and promptly pursue corrective actions.

CMS Response:

The CMS concurs, appreciating the points made above in the discussion of the first recommendation regarding the need to conduct additional development in some cases. We continue to work toward improvement in these matters and a reduction of the time needed to resolve them, while maintaining appropriate protections to ensure the accuracy of these determinations. CMS has been actively engaged in process improvement and staff training to ensure timely resolution of OIG audit recommendations. Some relevant activities conducted by CMS include:

- Participating in the HHS Single State Audit Metrics Initiative, the goal of which is to hold grantees and HHS program offices accountable to ensure deficiencies identified by the single state audit that cause an “unclean” opinion are corrected in a timely manner. The CMS Single State Audit Metrics Initiative Work Group broadened the focus of the project to extend to all Medicaid external audits. Audit resolution officials from each CMS region and CMS central office staff are members of the group.

- Initiating an internal work group which is reviewing and updating the Consortium for Medicaid and Children’s Health Operations (CMCHO) Standard Operating Procedures (SOP) in regard to audit resolution.

- CMCHO implementing new standard dashboard reporting to facilitate internal CMS communication. This reporting is intended to promote and to ensure timely audit resolution and to prevent repeat audit findings.

- CMCHO audit resolution team members participating in audit resolution training presented by the CMS Audit Management Division. The training focuses on adherence to all pertinent guidelines, consistent resolution practices, and timeliness of audit resolution activities.

OIG Recommendation:

The OIG recommends CMS maintain adequate documentation to support the collection of overpayments in accordance with OMB Circular A-50 and CMS Standard Operating Procedures.

CMS Response:

The CMS agrees and will take additional steps to improve documentation. CMS will ensure that it maintains adequate documentation to support the collection of overpayments in accordance with OMB Circular A-50 and CMS SOP, within document retention guidelines.
OIG Recommendation:

The OIG recommends CMS educate the states about their responsibility to report overpayments on the correct line of Form CMS-64 to improve oversight of the reporting process.

CMS Response:

The CMS agrees that states should be reminded of their obligation to report overpayments. CMS will offer additional training to states that emphasizes the importance of reporting overpayments on the correct line of Form CMS-64.

The CMS appreciates the efforts that went into this report and looks forward to working with OIG on this and other issues in the future.