

Report in Brief

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Why OIG Did This Review

Prior Office of Inspector General work found that another State did not always appropriately refund the Federal share of managed care organization (MCO) recoveries. After that work, we were concerned that other States may not appropriately refund the Federal share of MCO recoveries.

MCO recoveries refer to recoupments of prior payments to MCOs. New Mexico made recoveries when MCO profits exceeded contract-established limits and to reduce certain payments to the MCO's actual cost.

The objective of our audit was to determine whether New Mexico appropriately refunded the Federal share of MCO recoveries.

How OIG Did This Review

Our review covered \$374 million (\$341.5 million Federal share) in MCO recoveries for calendar years 2014 and 2015.

New Mexico Did Not Always Appropriately Refund the Federal Share of Recoveries from Managed Care Organizations

What OIG Found

Of the \$374 million in MCO recoveries, New Mexico appropriately refunded the Federal share for \$359 million. However, New Mexico underreported the Federal share for the remaining \$15 million by \$4.4 million as follows:

- \$4.3 million because it incorrectly calculated the Federal share of recoveries related to Affordable Care Act (ACA) expansion population payments, which the Federal Government originally matched at 100 percent using the regular Federal medical assistance percentage (FMAP), and
- \$118,584 because it did not consider higher FMAPs, such as for Family Planning and Breast and Cervical Cancer, in its Federal share calculations for MCO recoveries of other beneficiary populations' payments.

Additionally, New Mexico did not perform reconciliations of capitation payments for community based long-term care services as required under its contracts with MCOs. As a result, New Mexico had not made any MCO recoveries related to those long-term care services.

What OIG Recommends and New Mexico's Comments

We recommended that New Mexico refund to the Federal Government the additional \$4.4 million Federal share related to ACA expansion MCO recoveries and MCO recoveries originally claimed at higher FMAPs, such as those for Family Planning and Breast and Cervical Cancer.

We also recommended that New Mexico establish policies and procedures to identify MCO recoveries that were originally claimed at higher FMAPs, perform reconciliations in accordance with its contracts with MCOs, and consider conducting its reconciliations in a more timely manner.

In written comments on our draft report, New Mexico concurred with some but not all of our recommendations. New Mexico agreed to work with CMS to refund the recommended \$4.4 million to the Federal Government and to develop an appropriate allocation methodology for MCO recovery reporting. After reviewing New Mexico's comments, we maintain that our findings and recommendations are valid.