



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

JUN 12 2009

Report Number: A-05-08-00064

Ms. Janet Olszewski
Director
Michigan Department of Community Health
Capitol View Building
201 Townsend Street
Lansing, Michigan 48913

Dear Ms. Olszewski:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Family Planning Services Claimed Twice in Michigan for October 1, 2005, Through September 30, 2007." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Mike Barton, Audit Manager, at (614) 469-2543 or through e-mail at Mike.Barton@oig.hhs.gov. Please refer to report number A-05-08-00064 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc Gustafson".

Marc Gustafson
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official

Ms. Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FAMILY PLANNING SERVICES
CLAIMED TWICE IN MICHIGAN
FOR OCTOBER 1, 2005,
THROUGH
SEPTEMBER 30, 2007**



Daniel R. Levinson
Inspector General

June 2009
A-05-08-00064

Office of Inspector General

<http://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:

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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

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

Pursuant to Title XIX of the Social Security Act (the Act), 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. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

States report the cost of services furnished to Medicaid beneficiaries on the “Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program,” Form CMS-64 (CMS-64). Federal reimbursement is available only for expenditures that constitute payment for part or all of the cost of services furnished as medical assistance under the approved State plan. Amounts reported on the CMS-64 must be actual expenditures for which States are entitled to Federal reimbursement.

Quarterly Federal payments to the States must be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made. The Federal Government funds 90 percent of the costs for family planning services covered by Medicaid.

In Michigan, the Department of Community Health (State agency) administers the Medicaid program and is responsible for providing family planning services and reporting expenditures for reimbursement on the CMS-64. The State agency claimed expenditures for nonwaiver family planning services totaling \$8,106,721 (\$7,296,049 Federal share) in Federal fiscal year (FY) 2006 and \$9,569,892 (\$8,612,903 Federal share) in FY 2007.

OBJECTIVE

Our objective was to determine whether the State agency claimed costs more than once for Federal reimbursement for family planning services during FYs 2006 and 2007.

SUMMARY OF FINDINGS

For FYs 2006 and 2007, the State agency claimed and received reimbursement totaling \$1,111,688 (\$1,000,519 Federal share) for family planning services it claimed more than once. This duplicate payment amount is unallowable for Federal financial participation. The State agency did not claim the remaining \$16,564,925 in family planning service costs more than once. Our review of all these claims showed that some services were claimed twice on behalf of the same beneficiaries on the same dates of service. The State agency reported the claims data twice on the CMS-64 because the computer system it used to report family planning services inappropriately compiled the same claims data from a report that identified family planning services for all places of service and another report that identified services at only family

planning clinics. Consequently, the State agency reported and claimed the services from family planning clinics twice.

State agency officials said that they corrected the computerized reporting system, implemented in 2001, to prevent the reporting of claims more than once as of July 1, 2008, which was 9 months after our audit period. State agency officials said that they had not adjusted the CMS-64 to reflect the overpayments received.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$1,000,519 to the Federal Government for the unallowable duplicate Medicaid costs claimed from October 1, 2005, through September 30, 2007, and
- review family planning services claimed during the period January 1, 2001, through September 30, 2005, and after September 30, 2007, and refund to the Federal Government any Federal reimbursement for additional costs claimed more than once.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our recommendations. The State agency's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Pursuant to Title XIX of the Social Security Act (the Act), 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. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

Medicaid Coverage of Family Planning Services

Pursuant to 42 CFR § 430.30(c), States report the cost of services furnished to Medicaid beneficiaries on the “Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program,” Form CMS-64 (CMS-64). Federal reimbursement is available only for expenditures that constitute payment for part or all of the cost of services furnished as medical assistance under the approved State plan (sections 1903(a) and 1905(a) of the Act). Amounts reported on the CMS-64 must be actual expenditures for which States are entitled to Federal reimbursement (42 CFR § 430.30(c)(2)).

Section 1903(d)(2)(A) of the Act requires that quarterly Federal payments to the States are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made. Section 2500.6 of CMS’s “State Medicaid Manual” states that an overpayment is not considered a payment made in accordance with the approved State plan and is therefore not allowable for Federal financial participation. An overpayment is “any amount in excess of the amount that should have been paid and is refunded as required under §1903 of the Act,” including duplicate payments. Pursuant to section 1903(a)(5) of the Act and 42 CFR § 433.10(c)(1), the Federal Government funds 90 percent of the costs for family planning services covered by Medicaid.

Michigan’s Medicaid Program

In Michigan, the Department of Community Health (State agency) administers the Medicaid program and is responsible for providing family planning services and reporting expenditures for reimbursement on the CMS-64. The State agency claimed expenditures totaling \$8,106,721 (\$7,296,049 Federal share) in Federal fiscal year (FY) 2006 and \$9,569,892 (\$8,612,903 Federal share) in FY 2007 for nonwaiver family planning services.¹

¹The State agency also claimed expenditures for family planning services provided under a CMS-approved waiver that allowed Michigan to provide family planning services to recipients whose family income was at or below 185 percent of the Federal poverty level and so were not eligible for Medicaid. We did not review family planning services claimed under the CMS-approved Medicaid waiver.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed costs more than once for Federal reimbursement for family planning services during FYs 2006 and 2007.

Scope

We reviewed nonwaiver family planning services and claims from FYs 2006 and 2007, totaling \$17,676,613 (\$15,908,952 Federal share), that the State agency reported and for which it received Federal reimbursement. We did not review the overall internal control structure of the State agency's Medicaid program. Rather, we reviewed the State agency's procedures related to the reporting and claiming of expenditures for family planning services. We did not review the medical necessity of the services or whether the services were actually provided.

We performed fieldwork at the State agency in Lansing, Michigan, from August through November 2008.

Methodology

To accomplish our objective, we:

- reviewed Federal and State laws and regulations related to reporting expenditures for family planning services;
- held discussions with State agency officials related to State policies, procedures, and guidance for claiming Medicaid reimbursement for family planning services;
- obtained and reviewed claims data that supported the State agency's nonwaiver family planning expenditures reported on the CMS-64 during FYs 2006 and 2007; and
- identified and verified with the State agency that claims were reported more than once on the CMS-64.

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

For FYs 2006 and 2007, the State agency claimed and received reimbursement totaling \$1,111,688 (\$1,000,519 Federal share) for family planning services it claimed more than once. This duplicate payment amount is unallowable for Federal financial participation. The State

agency did not claim the remaining \$16,564,925 in family planning service costs more than once. Our review of all these claims showed that some services were claimed twice on behalf of the same beneficiaries on the same dates of service. The State agency reported the claims data twice on the CMS-64 because the computer system it used to report family planning services inappropriately compiled the same claims data from two reports: one that identified family planning services for all places of service and one that identified services at only family planning clinics. Consequently, the State agency reported and claimed the services from family planning clinics twice.

FEDERAL REQUIREMENTS

Federal reimbursement is available only for expenditures that constitute payment for part or all of the cost of services furnished as medical assistance under the approved State plan (sections 1903(a) and 1905(a) of the Act). Amounts reported on the CMS-64 must be actual expenditures for which States are entitled to Federal reimbursement (42 CFR § 430.30(c)(2)).

Section 1903(d)(2)(A) of the Act requires that quarterly Federal payments to the States are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made. Section 2500.6 of CMS's "State Medicaid Manual" states that an overpayment is not considered a payment made in accordance with the approved State plan and is therefore not allowable for Federal financial participation. An overpayment is "any amount in excess of the amount that should have been paid and is refunded as required under §1903 of the Act," including duplicate payments.

IMPROPER CLAIMS FOR FEDERAL REIMBURSEMENT

For FYs 2006 and 2007, the State agency included \$1,111,688 in unallowable duplicate costs on its CMS-64, as is shown in the table.

Table: Improper Claims for Fiscal Years 2006 and 2007

Fiscal Year	Number of Claims Reported Twice	Duplicate Costs Claimed	Federal Share
2006	13,148	\$490,629	\$441,566
2007	<u>14,582</u>	<u>621,059</u>	<u>558,953</u>
Total	27,730	\$1,111,688	\$1,000,519

The State agency did not make duplicate payments to the family planning clinics. Rather, it reported and claimed the same costs for the services twice on the CMS-64.

INAPPROPRIATELY COMPILED CLAIMS DATA

The State agency reported the claims data twice on the CMS-64 because its computer system used to report family planning services inappropriately compiled the same claims data from a report (BV-300) that identified family services for all places of service and another report (FD-33) that identified services at family planning clinics. Consequently, the State agency reported and claimed the services from family planning clinics twice.

State agency officials said that they corrected the computerized reporting system, implemented in 2001, to prevent the reporting of claims more than once as of July 1, 2008, which was 9 months after our audit period. State agency officials said that they had not adjusted the CMS-64 to reflect the overpayments previously received.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$1,000,519 to the Federal Government for the unallowable duplicate Medicaid costs claimed from October 1, 2005, through September 30, 2007, and
- review family planning services claimed during the period January 1, 2001, through September 30, 2005, and after September 30, 2007, and refund to the Federal Government any Federal reimbursement for additional costs claimed more than once.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our recommendations. The State agency's comments are included in their entirety as the Appendix.

APPENDIX



STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JANET OLSZEWSKI
DIRECTOR

April 30, 2009

Mr. Marc Gustafson
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services
233 North Michigan Avenue
Chicago, Illinois 60601

Re: Report Number (A-05-08-00064)

Dear Mr. Gustafson:

Enclosed is the Michigan Department of Community Health's response to the draft report entitled "Family Planning Services Claimed Twice in Michigan" that covered the period October 1, 2005 through September 30, 2007.

We appreciate the opportunity to review and comment on the report before it is released. If you have any questions regarding this response, please refer them to Pam Myers at (517) 373-1508.

Sincerely,

A handwritten signature in cursive script that reads "Janet Olszewski".

Janet Olszewski
Director

JO:kk

Enclosure

cc:



Family Planning Services Claimed Twice in Michigan
for the period October 1, 2005 through September 30, 2007
(A-05-08-00064)

Finding

The State agency reported the claims data twice on the CMS-64 because its computer system used to report family planning services inappropriately compiled the same claims data from a report (BV-300) that identified family planning services for all places of service and another report (FD-33) that identified services at family planning clinics. Consequently, the State agency reported and claimed the services from family planning clinics twice.

Recommendations

We recommend that the State agency:

- refund \$1,000,519 to the Federal Government for the unallowable duplicate Medicaid costs claimed from October 1, 2005, through September 30, 2007, and
- review family planning services claimed during the period January 1, 2001, through September 30, 2005, and after September 30, 2007, and refund to the Federal Government any Federal reimbursement for additional costs claimed more than once.

DCH Response

The Department:

- concurs with the recommendation and will refund to the federal government the duplicate Medicaid costs claimed from October 1, 2005 through September 30, 2007
- will review family planning services claimed during the period January 2001 through September 30, 2005 and after September 30, 2007 and determine the appropriate level of family planning expenditures that should have been reported. This process will include the underreporting of family planning services expenditures that occurred during the same period, as well as removing any duplicate Medicaid costs claimed.

ADDITIONAL DETAILS

Prior to the audit, MDCH staff conducted a thorough evaluation of how the State claimed family planning services for the 90% federal match. During this evaluation it was noted that MDCH had double counted family planning expenditures reported for a subset of Medicaid providers. MDCH informed the Centers for Medicare and Medicaid Services (CMS) of this project and was intermittently seeking guidance for the appropriate way to correct the CMS-64 report. In addition, MDCH determined during its evaluation that it had underclaimed a significant amount of family planning services expenditures dating well before January of 2001.

The computer error responsible for duplicating a small percentage of family planning services was fixed for all reports produced July 1, 2008 and after.