



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUN 10 2008

TO: Kerry Weems
Acting Administrator
Centers for Medicare & Medicaid Services

FROM: Daniel R. Levinson *Daniel R. Levinson*
Inspector General

SUBJECT: Medical Assistance Provided by Maryland to Hurricane Katrina Evacuees
(A-03-07-00200)

Attached is an advance copy of our final report on medical assistance provided by Maryland to Hurricane Katrina evacuees. We will issue this report to the Maryland Department of Health and Mental Hygiene (the State agency) within 5 business days. This audit is one of a series of audits of medical assistance provided by host States to Hurricane Katrina evacuees.

Under section 1115 of the Social Security Act, the Centers for Medicare & Medicaid Services (CMS) approved Maryland's request for Medicaid demonstration authority to provide the benefits included in its State plan to eligible Hurricane Katrina evacuees for a maximum of 5 months. CMS limited coverage to evacuees from specified counties and parishes in four States and required that Maryland verify residency and other eligibility factors to the greatest extent possible. As of March 31, 2007, the State agency had claimed a total of \$1,342,932 for medical assistance services provided to evacuees from the home States of Alabama, Louisiana, and Mississippi.

The objective of our audit was to determine whether the State agency claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project.

The State agency did not always claim reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project. Of the \$1,342,932 claimed, \$930,924 was allowable. However, the remaining \$412,008 was unallowable.

- The State agency claimed \$372,543 that was not supported by actual recorded expenditures.

- The State agency claimed \$22,415 for services provided to 29 individuals after their 5-month eligibility periods had expired. The State agency had not updated its eligibility file to reflect the expiration dates for evacuees.
- The State agency claimed \$17,050 for services provided to 33 individuals who may not have met eligibility requirements. Documentation showed that 3 of these individuals were residents of areas that were not covered under the hurricane-related section 1115 demonstration and failed to show that the State agency had verified, or attempted to verify, the eligibility of 30 individuals.

We recommend that the State agency refund \$412,008 in unallowable reimbursement and revise its Form CMS-64.9 Waiver reports for Alabama, Louisiana, and Mississippi by our audit adjustment amounts.

In comments on our draft report, the State agency agreed with our recommendation.

This audit was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through e-mail at George.Reeb@oig.hhs.gov or Stephen Virbitsky, Regional Inspector General for Audit Services, Region III, at (215) 861-4470 or through e-mail at Stephen.Virbitsky@oig.hhs.gov. Please refer to report number A-03-07-00200.

Attachment



Office of Audit Services, Region III
Public Ledger Building, Suite 316
150 S. Independence Mall West
Philadelphia, PA 19106-3499

JUN 16 2008

Report Number: A-03-07-00200

Mr. Hank Fitzer
Associate Director
Department of Health and Mental Hygiene
Office of the Secretary
201 West Preston Street
Baltimore, Maryland 21201

Dear Mr. Fitzer:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Medical Assistance Provided by Maryland to Hurricane Katrina Evacuees." 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 principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). 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 at (215) 861-4470, or contact Bernard Siegel, Audit Manager, at (215) 861-4484 or through e-mail at Bernard.Siegel@oig.hhs.gov. Please refer to report number A-03-07-00200 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Virbitsky", with a long horizontal line extending to the right.

Stephen Virbitsky
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**

**MEDICAL ASSISTANCE
PROVIDED BY MARYLAND TO
HURRICANE KATRINA EVACUEES**



Daniel R. Levinson
Inspector General

June 2008
A-03-07-00200

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 principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

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. Each State administers its Medicaid program in accordance with a State plan approved by the Centers for Medicare & Medicaid Services (CMS).

Section 1115 of the Act permits the Secretary to authorize demonstration projects to promote the objectives of the Medicaid program. Under section 1115, CMS approved Maryland's request for Medicaid demonstration authority to provide the benefits included in its Medicaid State plan to eligible Hurricane Katrina evacuees for a maximum of 5 months ending no later than June 30, 2006. CMS limited coverage under the hurricane-related section 1115 demonstration project to evacuees from specified counties and parishes in four States affected by the hurricane. Although Maryland was allowed to rely on evacuees' self-attestations of eligibility, it was required to verify residency and other eligibility factors to the greatest extent possible.

Maryland claimed expenditures on behalf of evacuees on the quarterly Form CMS-64.9 Waiver, and CMS reimbursed Maryland for the total amount claimed. Reimbursement consisted of the Federal Medicaid share applicable to the evacuee's home State and the non-Federal share authorized for Federal payment by section 6201 of the Deficit Reduction Act of 2005. As of March 31, 2007, the Maryland Department of Health and Mental Hygiene (the State agency) had claimed a total of \$1,342,932 for medical assistance provided to evacuees from Alabama, Louisiana, and Mississippi.

OBJECTIVE

The objective of our audit was to determine whether the State agency claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project.

SUMMARY OF FINDINGS

The State agency did not always claim reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project. Of the \$1,342,932 claimed, \$930,924 was allowable. However, the remaining \$412,008 was unallowable.

- The State agency claimed \$372,543 that was not supported by actual recorded expenditures.
- The State agency claimed \$22,415 for services provided to 29 individuals after their 5-month eligibility periods had expired. The State agency had not updated its eligibility file to reflect the expiration dates for evacuees.

- The State agency claimed \$17,050 for services provided to 33 individuals who may not have met eligibility requirements. Documentation showed that 3 of these individuals were residents of areas that were not covered under the hurricane-related section 1115 demonstration and failed to show that the State agency had verified, or attempted to verify, the eligibility of 30 individuals.

RECOMMENDATION

We recommend that the State agency refund \$412,008 in unallowable reimbursement and revise its Form CMS-64.9 Waiver reports for Alabama, Louisiana, and Mississippi by our audit adjustment amounts.

STATE AGENCY COMMENTS

In comments on our draft report (Appendix B), the State agency concurred with our recommendation.

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INTRODUCTION

BACKGROUND

Medicaid Program

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.

The Federal Government pays its share of most types of medical assistance expenditures according to a formula defined in section 1905(b) of the Act. That share is based on the Federal medical assistance percentage for each State, which ranges from 50 to 83 percent.

Section 1115 Hurricane-Related Demonstrations

Section 1115 of the Act permits the Secretary to authorize demonstration projects to promote the objectives of the Medicaid program. Under section 1115, CMS may waive compliance with any of the requirements of section 1902 of the Act and provide Federal matching funds for demonstration expenditures that would not otherwise be included as expenditures under the Medicaid State plan.

In response to Hurricane Katrina, CMS announced that States could apply for section 1115 demonstration projects to ensure the continuity of health care services for hurricane victims. A State with an approved hurricane-related section 1115 demonstration project was eligible under section 6201(a)(1)(A)(i) of the Deficit Reduction Act of 2005 (DRA) for Federal payment of the non-Federal share of medical assistance costs for evacuees receiving medical assistance under Title XIX of the Act.

Maryland's Approved Hurricane-Related Section 1115 Demonstration Project

In a letter dated November 10, 2005, CMS approved Maryland's request for a hurricane-related section 1115 demonstration project. The letter and its attached Special Terms and Conditions authorized the Maryland Department of Health and Mental Hygiene (the State agency) to provide Medicaid coverage to Hurricane Katrina evacuees who were enrolled in Medicaid in their home States but displaced by the hurricane and to expedite eligibility for new applicants who met simplified eligibility standards. The State agency could accept applications for eligibility for evacuee status from August 24, 2005, through January 31, 2006. Eligible evacuees could receive benefits for a maximum of 5 months ending no later than June 30, 2006.

CMS limited coverage under the hurricane-related section 1115 demonstration project to evacuees from specified counties and parishes in four States affected by the hurricane and to

specified individuals in the evacuee population. The State agency was required to ensure that it would verify, to the greatest extent possible, the circumstances of eligibility, residency, and other eligibility factors for each covered evacuee.

Under the hurricane-related section 1115 demonstration project, Maryland, as the host State, provided Medicaid services to evacuees from the home States of Alabama, Louisiana, and Mississippi. The State agency claimed reimbursement for its expenditures on the quarterly Form CMS-64.9 Waiver, “Medical Assistance Expenditures by Type of Service for the Medical Assistance Program—Expenditures in This Quarter.” The State agency was required to submit a separate form for each home State and to show on the form the total expenditures and the Federal share of the expenditures, calculated using the Federal medical assistance percentage applicable to the home State. CMS reimbursed the State agency for the total expenditures, i.e., the Federal share under the Medicaid program and the non-Federal share authorized for Federal payment by section 6201 of the DRA.

As of March 31, 2007, the State agency had claimed a total of \$1,342,932 for medical assistance services provided to evacuees.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our audit was to determine whether the State agency claimed reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project.

Scope

Our review covered the \$1,342,932 that the State agency had claimed for Federal reimbursement as of March 31, 2007, and the 929 applicants who received medical assistance under the hurricane-related section 1115 demonstration. We reviewed the documentation that supported eligibility for a judgmental sample of 157 of the 929 applicants. Accordingly, we did not extrapolate our results to the total amount claimed.

We did not review the eligibility of the 1,391 applicants whom the State agency had identified as eligible for evacuee status under the hurricane-related section 1115 demonstration project but for whom no claims were submitted.

We limited our review of the State agency’s internal controls to procedures for approving evacuee applications and reporting expenditures on the quarterly Form CMS-64.9 Waiver. We did not verify that approved claims submitted by providers for evacuees included only those services covered by the State plan.

We performed fieldwork at the State agency in Baltimore, Maryland, in May 2007.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, CMS's November 2005 approval letter, the Special Terms and Conditions, and CMS guidance;
- reviewed the State agency's controls for ensuring that claims paid for Katrina evacuees were in accordance with requirements of the hurricane-related section 1115 demonstration project;
- compared the State agency's Hurricane Katrina-related paid claim database, for all 929 applicants who received medical assistance, with its eligibility database to determine whether claims were submitted only for applicants identified as eligible by the State agency, paid for services provided during the applicants' 5-month eligibility periods, not paid more than once, and limited to services provided on or before June 30, 2006; and
- reviewed the Form CMS-64.9 Waiver reports to determine whether the expenditures claimed agreed with the State agency's paid claim database.

We judgmentally sampled 157 applicants who received medical assistance by selecting 97 applicants for whom the State agency had not recorded a home State in its eligibility file and 67 applicants who appeared to have received services for more than the maximum 5 months.¹ We reviewed available documentation, including Medicaid applications, to determine whether the documentation showed that the selected applicants were from an emergency area and were otherwise eligible to access Medicaid services under the hurricane-related section 1115 demonstration project. Specifically, we reviewed caseworkers' notes and other documentation identifying income levels; medical assistance coverage in the home States; immigration status; and additional current needs, including general assistance and food stamps, based on evacuee status.

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 RECOMMENDATION

The State agency did not always claim reimbursement for services provided to Hurricane Katrina evacuees in accordance with its approved hurricane-related section 1115 demonstration project. Of the \$1,342,932 claimed, \$930,924 was allowable. However, the remaining \$412,008 was unallowable.

¹The State agency did not record a home State for 7 of the 67 sampled applicants who appeared to have received services for more than the maximum 5 months.

- The State agency claimed \$372,543 that was not supported by actual recorded expenditures.
- The State agency claimed \$22,415 for services provided to 29 individuals after their 5-month eligibility periods had expired. The State agency had not updated its eligibility file to reflect the expiration dates for evacuees.
- The State agency claimed \$17,050 for services provided to 33 individuals who may not have met eligibility requirements. Documentation showed that 3 of these individuals were residents of areas that were not covered under the hurricane-related section 1115 demonstration and failed to show that the State agency had verified, or attempted to verify, the eligibility of 30 individuals.

See Appendix A for details, including the allocation of costs between Federal Medicaid funding and Federal funding provided pursuant to the DRA.

SECTION 1115 DEMONSTRATION AND OTHER REQUIREMENTS

The Special Terms and Conditions attached to CMS’s November 2005 approval letter limited coverage under the hurricane-related section 1115 demonstration project to evacuees from specified counties and parishes in the emergency areas of Alabama, Florida, Louisiana, and Mississippi. The eligible evacuee population was defined as parents, pregnant women, children under age 19, individuals with disabilities, low-income Medicare recipients, and low-income individuals in need of long-term care with incomes up to and including specified levels. Evacuees who met these requirements were eligible to receive up to 5 months of benefits ending no later than June 30, 2006. The State agency could accept applications for eligibility for evacuee status from August 24, 2005, through January 31, 2006.

The Special Terms and Conditions allowed the State agency to rely on evacuees’ “self-attestation of displacement, income, and immigration status, but evacuees must be required to cooperate in demonstrating evacuee and eligibility status.” The Special Terms and Conditions also required that the State agency, “to the greatest extent possible, (1) verify circumstances of eligibility, (2) verify residency and citizenship of the evacuees, and (3) prevent fraud and abuse Additionally, there is a reciprocal obligation for Home/Host States in obtaining necessary information to determine eligibility”

Section 2497.1 of CMS’s “State Medicaid Manual,” Pub. 45, provides that “expenditures are allowable only to the extent that, when a claim is filed, you have adequate supporting documentation in readily reviewable form to assure that all applicable Federal requirements have been met.” Form CMS-64 requires certification that “. . . [t]he expenditures included in this report are based on the state’s accounting of actual recorded expenditures, and are not based on estimates”

UNALLOWABLE CLAIMS

Lack of Documentation

The State agency claimed \$372,543 for which it could not provide supporting documentation of actual expenditures. The State agency's claims totaled \$1,342,932, but its paid claim database, which shows actual recorded expenditures, supported claims totaling only \$970,389, a difference of \$372,543.

Expired Eligibility Periods

The State agency claimed a total of \$22,415 for services provided to 29 individuals after their 5-month eligibility periods had expired. State agency officials informed us that the State agency initially had established a 6-month eligibility period for evacuees. Subsequently, CMS limited eligibility under the hurricane-related section 1115 demonstration project to 5 months. However, the State agency failed to update its eligibility file to reflect the 5-month eligibility period.

Ineligible Applicants

The documentation for 33 sampled individuals, for whom the State agency claimed reimbursement totaling \$17,050, did not support their eligibility under the hurricane-related section 1115 demonstration project.

The applications for two individuals showed that they were residents of Texas, which was not an emergency area covered under the section 1115 demonstration project for Hurricane Katrina evacuees. Although CMS offered section 1115 demonstration projects to provide continuity of care for Hurricane Rita evacuees, including evacuees from Texas, Maryland did not apply or receive authorization for such a demonstration project. Another individual was from La Salle Parish in Louisiana, which also was not a covered emergency area.

For the remaining 30 individuals, the State agency could not provide applications or other documentation that identified the individuals' home States or any evidence that the State agency had made an effort to verify their eligibility. Thus, these applicants may not have been eligible under the hurricane-related section 1115 demonstration project, and the State agency claimed Federal reimbursement without complying with the requirement to make every effort to verify evacuee and eligibility status.

RECOMMENDATION

We recommend that the State agency refund \$412,008 in unallowable reimbursement and revise its Form CMS-64.9 Waiver reports for Alabama, Louisiana, and Mississippi by our audit adjustment amounts.

STATE AGENCY COMMENTS

In comments on our draft report, the State agency concurred with our recommendation. The State agency's comments are included as Appendix B.

APPENDIXES

AUDIT ADJUSTMENTS TO AMOUNTS CLAIMED BY MARYLAND

Alabama Evacuees			
	Total	Federal Medicaid Share	Federal DRA Funding¹
Amount claimed	\$15,458	\$10,745	\$4,713
Audit adjustment:			
Lack of documentation	(12,610)	(8,765)	(3,845)
Corrected amount	\$2,848	\$1,980	\$868

Louisiana Evacuees			
	Total	Federal Medicaid Share	Federal DRA Funding
Amount claimed	\$1,155,876	\$806,757	\$349,119
Audit adjustments:			
Lack of documentation	(297,920)	(207,941)	(89,979)
Expired eligibility periods	(20,495)	(14,304)	(6,191)
Ineligible applicants	(17,050)	(11,899)	(5,151)
Total audit adjustments	(335,465)	(234,144)	(101,321)
Corrected amount	\$820,411	\$572,613	\$247,798

Mississippi Evacuees			
	Total	Federal Medicaid Share	Federal DRA Funding
Amount claimed	\$171,598	\$130,423	\$41,175
Audit adjustments:			
Lack of documentation	(62,013)	(47,127)	(14,886)
Expired eligibility periods	(1,920)	(1,459)	(461)
Total audit adjustments	(63,933)	(48,586)	(15,347)
Corrected amount	\$107,665	\$81,837	\$25,828

¹DRA = Deficit Reduction Act of 2005.

	All Evacuees		
	Total	Federal Medicaid Share	Federal DRA Funding
Amount claimed	\$1,342,932	\$947,925	\$395,007
Audit adjustments:			
Lack of documentation	(372,543)	(263,833)	(108,710)
Expired eligibility periods	(22,415)	(15,763)	(6,652)
Ineligible applicants	(17,050)	(11,899)	(5,151)
Total audit adjustments	(412,008)	(291,495)	(120,513)
Corrected amount	\$930,924	\$656,430	\$274,494

APPENDIX B

From: Hank Fitzer
Sent: Wednesday, April 23, 2008 4:14 PM
To: Siegel, Bernard J (OIG/OAS)
Cc: Charles Lehman; Michele McDonald; Audrey Parham-Stewart; Stacey Davis; Susan Tucker; Virbitsky, Stephen (OIG/OAS)
Subject: Maryland Katrina Claims

Reference:

U.S Department of Health and Human Services
Office of Inspector General (OIG)
Report Number A-03-07-00200: "Medical Assistance Provided by Maryland to Hurricane Katrina Evacuees", dated March 2008. Notice of findings under your cover letter March 13, 2008.

Please be advised that we have reviewed the above report, and we concur with the findings.

Maryland will return a total of \$412,008 Federal Funds in two components:

\$120,513 Federal DRA Funding
\$291,495 matching Federal Medicaid share

We are working with CMS Region III to return these funds as line 10B (decreasing) adjustments in the CMS 64 report to be filed for the Quarter ended March 31, 2008, which will be submitted to CMS no later than April 30, 2008.

As the certification that you requested, please be advised that this is Maryland's official response to the above-referenced report.