DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUN 24 2008

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

FROM: Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Audit of North Carolina's Buy-In of Medicare Part B Premiums for Medicaid Beneficiaries From April 2004 Through March 2007 (A-04-07-03011)

Attached is an advance copy of our final report on North Carolina's buy-in of Medicare Part B premiums for Medicaid beneficiaries from April 2004 through March 2007. We will issue this report to the North Carolina Department of Health and Human Services (State Medicaid agency) within 5 business days.

"Dual eligibles" are individuals who are eligible for benefits under both Medicare and Medicaid because they are poor and either elderly or disabled. Dual eligibles are eligible for Medicare Part A enrollment for hospital care and Part B insurance coverage for physician care, but the Part B premium is difficult for some of these beneficiaries to pay. Section 1843 of the Social Security Act addresses this problem by creating an arrangement, known as the "buy-in program," under which participating States with Medicaid plans use Medicaid funds to pay Medicare Part B premiums on behalf of dual eligibles. However, not all Medicare premiums paid by the State Medicaid agency for individuals in the buy-in program are eligible for Federal share.

In North Carolina for quarters ending June 2004 through March 2007, the State Medicaid agency paid $775 million for Part B premiums on behalf of Medicaid beneficiaries and claimed $722 million as eligible for a Federal share of $474 million (net of prior-period adjustments).

Our objective was to determine whether the State Medicaid agency claimed Federal share for Medicare Part B premiums it paid on behalf of Medicaid beneficiaries in accordance with Federal requirements.

The State Medicaid agency did not claim Federal share for Medicare Part B premiums it paid on behalf of some Medicaid beneficiaries in accordance with Federal requirements. Of the $722 million the State Medicaid agency claimed (net of prior-period adjustments), $698 million was eligible for Federal share, and approximately $24 million (approximately $16 million Federal share) was for beneficiaries in buy-in eligibility categories that were ineligible for

Federal share for the quarters ending June 2004 through March 2007. The incorrect claims occurred because the State Medicaid agency did not have adequate internal controls to ensure that it claimed Federal share for Part B premiums only for beneficiaries in eligible categories. As a result, the State Medicaid agency incorrectly claimed $15,954,526 (Federal share) for Part B premiums. In response to our audit, the State Medicaid agency performed its own reconciliation. The results agreed with our finding.

We recommended that the State Medicaid agency:

- refund to the Federal Government the $15,954,526 incorrectly claimed for Federal share for Part B premiums;

- perform a review of claims after the end of our audit period and refund any unallowable Federal share; and

- develop adequate internal controls to ensure that Part B premiums claimed for Federal share are only for beneficiaries in eligible categories, including:

    - identifying and maintaining mandatory Centers for Medicare & Medicaid Services (CMS) buy-in eligibility codes in its Medicaid systems and

    - reconciling the State Medicaid agency's financial records to the monthly CMS billing notices for all buy-in categories.

In written comments to the draft report, the State Medicaid agency concurred with our finding and recommendations.

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 Peter J. Barbera, Regional Inspector General for Audit Services, Region IV, at (404) 562-7800 or through e-mail at Peter.Barbera@oig.hhs.gov. Please refer to report number A-04-07-03011.

Attachment

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

JUN 27 2008

Report Number: A-04-07-03011

Mr. Dempsey Benton, Secretary
North Carolina Department of Health
and Human Services
Adams Building, 101 Blair Drive
Raleigh, North Carolina 27603

Dear Mr. Benton:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Audit of North Carolina's Buy-In of Medicare Part B Premiums for Medicaid Beneficiaries From April 2004 Through March 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 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, the final 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 (404) 562-7800, or contact Mark L. Wimple, Audit Manager, at (919) 790-2765, extension 24, or through e-mail at Mark.Wimple@oig.hhs.gov. Please refer to report number A-04-07-03011 in all correspondence.

Sincerely,

Peter J. Barbera
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

AUDIT OF NORTH CAROLINA'S BUY-IN OF MEDICARE PART B PREMIUMS FOR MEDICAID BENEFICIARIES FROM APRIL 2004 THROUGH MARCH 2007

Daniel R. Levinson
Inspector General

June 2008
A-04-07-03011

Office of Inspector General

http://oig.hhs.gov

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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

"Dual eligibles" are individuals who are eligible for benefits under both Medicare and Medicaid because they are poor and either elderly or disabled. Dual eligibles are eligible for Medicare Part A enrollment for hospital care and Part B insurance coverage for physician care, but the Part B premium is difficult for some of these beneficiaries to pay. Section 1843 of the Social Security Act addresses this problem by creating an arrangement, known as the "buy-in program," under which participating States with Medicaid plans use Medicaid funds to pay Medicare Part B premiums on behalf of dual eligibles.

At the Federal level, the Centers for Medicare & Medicaid Services (CMS) has overall responsibility for administering the buy-in program. In North Carolina, the Department of Health and Human Services, Division of Medical Assistance (the State Medicaid agency), is responsible for administering the State's buy-in program.

Through the use of eligibility codes, individuals in the buy-in program are grouped into various eligibility categories. These eligibility codes are the primary method for identifying individuals in the buy-in program whose premiums are eligible for Federal share. Not all Medicare premiums paid by the State Medicaid agency for individuals in the buy-in program are eligible for Federal share. The State Medicaid agency is responsible for maintaining the accuracy of the individuals' eligibility codes and for reporting them to CMS.

In North Carolina for quarters ending June 2004 through March 2007, the State Medicaid agency paid $775 million for Part B premiums on behalf of Medicaid beneficiaries. Of the $775 million it paid for premiums, the State Medicaid agency claimed $722 million as eligible for a Federal share of $474 million (net of prior-period adjustments).

OBJECTIVE

Our objective was to determine whether the State Medicaid agency claimed Federal share for Medicare Part B premiums it paid on behalf of Medicaid beneficiaries in accordance with Federal requirements.

SUMMARY OF FINDING

The State Medicaid agency did not claim Federal share for Medicare Part B premiums it paid on behalf of some Medicaid beneficiaries in accordance with Federal requirements. Of the $722 million the State Medicaid agency claimed (net of prior-period adjustments), $698 million was eligible for Federal share, and approximately $24 million (approximately $16 million Federal share) was for beneficiaries in buy-in eligibility categories that were ineligible for Federal share for the quarters ending June 2004 through March 2007. The incorrect claims occurred because the State Medicaid agency did not have adequate internal controls to ensure that it claimed Federal share for Part B premiums only for beneficiaries in eligible categories. As a result, the State Medicaid agency incorrectly claimed $15,954,526 (Federal share) for Part B premiums. In

response to our audit, the State Medicaid agency performed its own reconciliation. The results agreed with our finding.

RECOMMENDATIONS

We recommend that the State Medicaid agency:

- refund to the Federal Government the $15,954,526 incorrectly claimed for Federal share for Part B premiums;

- perform a review of claims after the end of our audit period and refund any unallowable Federal share; and

- develop adequate internal controls to ensure that Part B premiums claimed for Federal share are only for beneficiaries in eligible categories, including:

    - identifying and maintaining mandatory CMS buy-in eligibility codes in its Medicaid systems and

    - reconciling the State Medicaid agency's financial records to the monthly CMS billing notices for all buy-in categories.

State Medicaid Agency Comments

In written comments to the draft report, the State Medicaid agency concurred with our finding and recommendations. The complete text of the State Medicaid agency's comments is included as Appendix B.

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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's Role in Paying Medicare Part B Premiums

"Dual eligibles" are individuals who are eligible for benefits under both Medicare and Medicaid because they are poor and either elderly or disabled. Dual eligibles are eligible for the Premium Hospital Insurance Program (Medicare Part A) enrollment for hospital care and the Supplementary Medical Insurance Program (Medicare Part B) insurance coverage for physician care, but the Part B premium is difficult for some of these beneficiaries to pay.[1] Section 1843 of the Act addresses this problem by creating an arrangement, known as the "buy-in program," under which participating States with Medicaid plans may enroll dual eligibles in Medicare Part B and pay the monthly premium on behalf of these recipients.[2] The State is eligible to receive Federal financial participation (referred to in this report as "Federal share") through the Medicaid program to assist in paying these Part B premiums for certain groups of dual eligibles.[3] States may enter into a State Buy-In Agreement with CMS to enroll eligible individuals in Part B and pay their premiums (buy-in).

Monthly Medicare Part B premiums the States pay on behalf of individuals enrolled under State Buy-In Agreements are considered vendor payments and most are reimbursable under Medicaid at the Federal medical assistance percentage (FMAP), which is State specific and calculated pursuant to section 1905(b) of the Act.[4] For the quarters ending June 2004 through March 2007, North Carolina's FMAP ranged from 62.85 percent to 65.80 percent.

[1]Although the Medicare program has other cost-sharing requirements for beneficiaries, this audit report only addresses Medicare Part B premium payments.

[2]42 U.S.C. § 1395v; 42 CFR §§ 407.40–407.42; CMS, "State Buy-In Manual," Pub. No. 24, ch. 1, § 110.

[3]42 CFR § 431.625(d); CMS, "State Buy-In Manual," Pub. No. 24, ch. 1, §§ 110 and 180.

[4]42 U.S.C. § 1396d(b); CMS, "State Buy-In Manual," Pub. No. 24, ch. 1, §110.

Administering the Buy-In Program

At the Federal level, CMS has overall responsibility for administering the buy-in program. CMS maintains a buy-in master file that contains information on beneficiaries eligible for buy-in. It uses the buy-in master file to prepare monthly billing notices for the States for Part B premiums and to identify those premiums eligible to be claimed for Federal share.[5]

In North Carolina, the Department of Health and Human Services, Division of Medical Assistance (the State Medicaid agency) is responsible for administering the State's buy-in program. The State is responsible for establishing internal procedures and systems to identify individuals eligible for buy-in, communicating this information to CMS, and responding to actions taken by CMS on individual cases. As part of this responsibility, the State Medicaid agency is responsible for the accuracy of the individuals' eligibility codes and is required to routinely update these codes, including the mandatory buy-in eligibility codes, in the CMS master file.

The State Medicaid agency is also responsible for verifying the accuracy and validity of the information in the buy-in processing systems. If the information in the systems is erroneous, it is the State Medicaid agency's responsibility to correct, or have CMS correct, the errors.[6] Through the use of eligibility codes, individuals in the buy-in program are grouped into various eligibility categories. These eligibility codes identify individuals in the buy-in program whose premiums are eligible to be claimed for Federal share. The codes also identify some recipients as "non-cash Medical Assistance Only" (MAO), whose Part B premiums do not qualify for Federal share.[7]

The State Medicaid agency contracted with a fiscal agent to operate the State's Medicaid Management Information System (MMIS). The MMIS processes additions to and deletions from the buy-in program, as well as the State's monthly premium billing files from CMS. During our audit period, the State Medicaid agency had its fiscal agent prepare updates to Medicare Part B buy-in files and send them to CMS. Using methodology provided by the State Medicaid agency, the fiscal agent included in these files the required individual eligibility codes prescribed by CMS. In April 2004 and July 2005, the fiscal agent sent CMS a complete file of individuals whose Medicare Part B premiums were being paid by the State Medicaid agency.

CMS used the State's updates to amend the CMS buy-in master file. Using the master file, CMS prepared billing notices to the State Medicaid agency that indicated monthly premiums due and the amount eligible for the State to claim for Federal share. Along with the bills, CMS provided the State with electronic billing files.

[5]CMS, "State Buy-In Manual," Pub. No. 24, ch. 4, § 400 and ch. 8, §§ 805 and 810.

[6]CMS, "State Buy-In Manual," Pub. No. 24, ch. 2, §200 (F), ch. 4, §410; CMS, "Medicare State Buy-In Manual," Pub. No. 100-15, ch. 5, §§ 500 and 510 (Internet-only manual).

[7]CMS, "State Buy-In Manual," ch. 1, §§ 110 and 180, ch. 4, § 410.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State Medicaid agency claimed Federal share for Medicare Part B premiums it paid on behalf of Medicaid beneficiaries in accordance with Federal requirements.

Scope

Our audit included $722 million ($474 million Federal share) of Part B premiums paid by the State Medicaid agency and claimed to CMS for the quarters ending June 2004 through March 2007.[8] It did not include a review of beneficiaries' eligibility determination records.

Our review of internal controls was limited to obtaining an understanding of the State Medicaid agency's procedures for the following: identifying and reporting to CMS individuals in eligible buy-in categories, recording and paying Medicare premiums as billed by CMS, and claiming Federal share as applicable. We conducted fieldwork at the State Medicaid agency in Raleigh, North Carolina, from October 2006 through October 2007.

Methodology

To accomplish our audit objective, we:

- reviewed the Federal and State regulations, policies, and procedures related to buy-in, including the CMS "State Medicaid Manual," the "State Buy-In Manual," and North Carolina's Buy-In Agreements;

- reviewed applicable working papers prepared by and held discussions with the North Carolina State Auditors;

- interviewed personnel from CMS, the Social Security Administration, the State Medicaid agency, and the State's fiscal agent;

- obtained and analyzed the electronic billing files from CMS of monthly Part B premiums for the State's Part B buy-ins;

- obtained and analyzed the financial records for all categories of Part B premiums recorded monthly by the State Medicaid agency;

- obtained and analyzed the electronic files of monthly Part B premiums recorded by the State Medicaid agency on its systems for categories ineligible for Federal share;

[8]Amounts have been adjusted to reflect all prior-period adjustments.

- obtained and compared CMS's monthly Summary Accounting Statements (billing notices) for Part B premiums to the claims for Federal share and to the State Medicaid agency's warrant registers;

- reviewed a State-Medicaid-agency-prepared reconciliation, by individual, of the Federal share claimed by the State Medicaid agency to the Federal share that should have been claimed based on the buy-in eligibility codes in the CMS buy-in master file; and

- determined the amount of excess Part B premiums claimed for Federal share. (See Appendix A for details.)

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 finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATIONS

The State Medicaid agency did not claim Federal share for Medicare Part B premiums it paid on behalf of some Medicaid beneficiaries in accordance with Federal requirements. Of the $722 million the State Medicaid agency claimed (net of prior-period adjustments), $698 million was eligible for Federal share, and approximately $24 million (approximately $16 million Federal share) was for beneficiaries in buy-in eligibility categories that were ineligible for Federal share for the quarters ending June 2004 through March 2007. The incorrect claims occurred because the State Medicaid agency did not have adequate internal controls to ensure that it claimed Federal share for Part B premiums only for beneficiaries in eligible categories. As a result, the State Medicaid agency incorrectly claimed $15,954,526 (Federal share) for Part B premiums. In response to our audit, the State Medicaid agency performed its own reconciliation. The results agreed with our finding.

STATE MEDICAID AGENCY CLAIMED EXCESS FEDERAL SHARE

Federal Requirements

States may enroll individuals who are eligible for benefits under both the Medicare and Medicaid programs in the Medicare Part B program. States must pay the Medicare Part B premium for each dual eligible individual it enrolls in the Medicare Part B program.[9] States may claim the Federal share for certain individuals if these recipients are receiving cash assistance under specified Federal programs or if they meet certain exceptions.[10] Individuals who are not receiving cash assistance or do not meet a specified exception are called noncash MAO

[9]The Act, § 1843, 42 CFR §§ 407.40–407.42; CMS, "State Buy-In Manual," Pub. No. 24, ch. 1, § 110.

[10]42 CFR § 431.625(d).

recipients. Medicare Part B premiums paid by States made on behalf of non-cash MAO recipients do not qualify for Federal share.[11]

State Medicaid Agency Claimed Excess Federal Share for Part B Premiums

For the quarters ending June 2004 through March 2007, CMS billed the State Medicaid agency $775 million for Part B premiums, which the State Medicaid agency paid. Based on individual eligibility codes assigned by the State, CMS also identified on the billing notices $698 million of premiums for individuals in categories eligible to be claimed for Federal share; however, the State Medicaid agency claimed Federal share for $722 million.[12] The $24 million difference resulted in the State Medicaid agency claiming approximately $16 million in Federal share for noncash MAO recipients, who did not qualify for Federal share. (See Appendix A for a detailed breakdown of amounts claimed by quarter.)

Inadequate Internal Controls Over the Buy-In Process

While the State Medicaid agency had policies and procedures for Medicare enrollment and buy-in, it did not have adequate internal controls to ensure that it claimed Federal share for Part B premiums for individuals only in eligible categories.

Using the electronic billing files received from CMS, the State Medicaid agency's fiscal agent created reports that the State Medicaid agency relied on to record the premiums in the State's financial records. However, the program the fiscal agent used to create the reports did not use the individual eligibility codes to properly categorize the premiums between those eligible and those ineligible for Federal share. Therefore, premiums for individuals who were ineligible for Federal share were included in totals shown as eligible for Federal share on the report produced by the State's fiscal agent. The State Medicaid agency reconciled the information in this report to the total premiums billed by CMS but not to the amount allowable for Federal share.

The State Medicaid agency then used its inaccurate financial records to prepare claims for Federal share. Consequently, even though the State Medicaid agency prepared its claims based on its financial records, the claims were incorrect.

Reconciliation Performed by the State Medicaid Agency

In response to our preliminary finding and before we completed our audit, State Medicaid agency programmers reconciled the CMS master file to the State Medicaid agency's individual financial records. This process took into account the significant adjustments that the State Medicaid agency made before our fieldwork and adjustments still needed to realign individuals' premiums among categories. The results of the State Medicaid agency's reconciliation agreed with our finding.

[11]42 CFR § 431.625(d); CMS, "State Buy-In Manual," Pub. No. 24, ch. 1, §§ 110 and 180.

[12]This amount reflects all prior-period adjustments.

RECOMMENDATIONS

We recommend that the State Medicaid agency:

- refund to the Federal Government the $15,954,526 incorrectly claimed for Federal share for Part B premiums;

- perform a review of claims after the end of our audit period and refund any unallowable Federal share; and

- develop adequate internal controls to ensure that Part B premiums claimed for Federal share are only for beneficiaries in eligible categories, including:

    - identifying and maintaining mandatory CMS buy-in eligibility codes in its Medicaid systems and

    - reconciling the State Medicaid agency's financial records to the monthly CMS billing notices for all buy-in categories.

STATE MEDICAID AGENCY COMMENTS

In written comments to the draft report, the State Medicaid agency concurred with our finding and recommendations. The State Medicaid agency agreed to refund $15,954,525 incorrectly claimed for Federal share for Part B premiums. Also, it stated that it has conducted reviews to ensure that the Federal share was claimed appropriately for periods subsequent to our review.

The State Medicaid agency also outlined steps that it said have already been implemented to ensure that Part B premiums claimed for Federal share are only for beneficiaries in eligible categories.

The complete text of the State Medicaid agency comments is included as Appendix B.

APPENDIXES

APPENDIX A

CALCULATION OF EXCESS FEDERAL SHARE CLAIMED BY THE STATE MEDICAID AGENCY

Quarter Ending	Part B Premiums Billed and Paid	Claims Submitted for Federal Share			
		State Claimed as Eligible[1]	Eligible	Excess Claimed	Federal Share of Excess Claimed
Jun. 2004	$50,676,645	$47,396,403	$48,024,725	$(628,322)	$(411,171)
Sept. 2004	50,898,701	47,597,678	46,677,431	920,247	602,040
Dec. 2004	54,328,802	50,746,112	49,455,443	1,290,669	881,432
Mar. 2005	61,091,206	57,022,378	55,400,365	1,622,013	1,072,910
Jun. 2005	62,269,497	57,843,611	55,667,111	2,176,500	1,282,275
Sept. 2005	63,009,121	59,053,720	56,750,396	2,303,324	1,447,510
Dec. 2005	65,927,704	61,157,112	59,642,681	1,514,431	1,033,468
Mar. 2006	70,906,698	65,992,463	63,942,099	2,050,364	1,359,653
Jun. 2006	71,785,447	66,950,363	64,554,275	2,396,088	1,564,481
Sept. 2006	73,140,295	67,951,724	65,057,003	2,894,721	1,966,068
Dec. 2006	74,261,903	69,054,665	65,789,842	3,264,823	2,327,759
Mar. 2007	76,479,928	71,204,960	67,185,018	4,019,942	2,828,101
Total	**$774,775,947**	**$721,971,189**	**$698,146,389**	**$23,824,800**	**$15,954,526**

[1]Amounts reflect all prior-period adjustments.

North Carolina Department of Health and Human Services
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Michael F. Easley, Governor

Dempsey Benton, Secretary

April 3, 2008

Mr. Peter J. Barbera
Regional Inspector General for Audit Services
Office of the Inspector General – Region IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

Re: Audit Report A-04-07-03011

Dear Mr. Barbera:

Per your request, the North Carolina Department of Health and Human Services has reviewed the draft audit report dated March 7, 2008. The report addresses *North Carolina's "Buy – In" of Medicare Part B Premiums for Medicaid Beneficiaries during the period April 2004 through March 2007*. The department concurs with the findings and recommendations outlined in the report, and is submitting the following additional comments.

A. OIG Recommendation:
The OIG recommended that the State refund to the Federal Government the $15,954,526 incorrectly claimed for Federal share for Part B premiums

Department Response:
The Division of Medical Assistance (DMA) is working with the Department's Controllers Office and will refund the $15,954,525 incorrectly claimed.

B. OIG Recommendation:
The OIG recommended that the State perform a review of claims after the end of the audit period and refund any unallowable Federal share

Department Response:
Starting with April of 2007, reviews have been conducted to ensure that the Federal share was not claimed inappropriately. In addition, corrective action was taken to modify the state's Medicaid Management Information System (MMIS) to revise all Part B related internal and external data sets to ensure the MMIS captures and stores the CMS BIEC recipient eligibility code in time sensitive segments, such that changes in beneficiary eligibility is reported correctly to CMS. This ensures recipients are reported in eligibility classes to CMS correctly.

Peter Barbera
Medicare Part B Premium audit
April 3, 2004

C. OIG Recommendation:

The OIG recommended that the State develop adequate internal controls to ensure that Part B premiums claimed for Federal share are only for beneficiaries in eligibile categories, including identifying and maintaining mandatory CMS buy-in eligibility codes in its Medicaid systems and reconciling the State's Medicaid agency's financial records to the monthly CMS billing notices for all buy-in categories

Department Response:

Internal controls have been developed and financial personnel have been trained to ensure that Part B premiums claimed for Federal share are quantified based on reconciling properly the monthly CMS billing notice to the beneficiary eligibility data in maintained by the MMIS. A new summary report was established which maps the CMS BIEC eligibility data in the monthly response file to a cross tablulation report allowing a monthly reconciliation of CMS monthly billing invoice totals. The new report also creates the North Carolina Accounting system detail necessary to claim Federal Financial Participation correctly.

The Department believes that these corrective actions, which already have been implemented, address satisfactorily and completely the findings identified in the audit report.

Thank you for affording the Department to respond to the audit report and its findings. We also appreciate the professionalism of the auditors who conducted this audit.

Sincerely,

Dempsey Benton

Cc: Dan Stewart
William Lawrence
Tom Galligan
Pat Jeter
Tara Larson
Eddie Berryman