Memorandum

Date JUN - 1 2001

From Michael F. Mangano
Acting Inspector General

Subject Review of Medicaid Claims for County Nursing Facility Supplementation Payments by the Commonwealth of Pennsylvania (A-03-00-00211)

To Thomas Scully
Administrator
Health Care Financing Administration

This memorandum alerts you to the issuance on Tuesday, June 5, 2001, of our final report of an Office of Inspector General review of the Commonwealth of Pennsylvania's Medicaid claims for county nursing facility supplementation payments. A copy is attached. The objective of our review was to determine whether the Pennsylvania Department of Public Welfare's (DPW) claims for Federal matching funds for supplementation payments were properly reported and supported by sufficient documentation.

Under Medicaid upper payment limit rules, States are permitted to establish payment methodologies that allow for enhanced payments to non-State-owned government providers, such as county nursing facilities. In Pennsylvania, these enhanced payments are called supplementation payments. The DPW uses intergovernmental transfers (IGT) to finance supplementation payments to certain county-owned nursing facilities. An IGT represents a transfer of funds from one level of government to another. The supplementation payments, which trigger a Federal matching payment, are in addition to the basic Medicaid rates paid to county-owned nursing facilities.

We found that, in reporting supplementation payments to the Health Care Financing Administration (HCFA), DPW over claimed $89 million in Federal matching funds in State Fiscal Years (SFY) 1997, 1998, and 1999. We estimate that DPW may have over claimed an additional $65 million in SFYs 1990 through 1996, bringing the total overpayment to about $155 million. The over claimed amount represented the difference between (1) the actual supplementation payments as supported by the IGTs and DPW voucher transmittals and (2) the claimed supplementation payments as reported by DPW on Form HCFA-64.

As a result of our review, we recommended that DPW: (1) discontinue the practice of over claiming Federal matching funds by over reporting supplementation payments; (2) refund $89,492,522 in Federal matching funds on over claimed supplementation payments for SFYs 1997 through 1999; and (3) together with HCFA, review supplementation payment

claims for SFYs 1990 through 1996 to determine if the practice of over claiming these costs occurred in those earlier years, and if so, refund the associated excess Federal matching funds that we estimate to be $65,285,218.

In response to our draft report, DPW disagreed with our findings stating that we had misconstrued the provisions and DPW's implementation of the IGT agreement with the counties. Because of its disagreement, DPW requested that we withdraw our report. We disagree with DPW and continue to believe that DPW, through its voucher transmittal and IGT process, did not adequately support its claim for supplementation payments to county nursing facilities.

If you have any questions, please call me or have your staff contact George M. Reeb, Assistant Inspector General for Health Care Financing Audits, at (410) 786-7104 or David M. Long, Regional Inspector General for Audit Services, Region III, at (215) 861-4470.

Please refer to Common Identification Number A-03-00-00211 in all correspondence relating to this report.

Attachment

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF MEDICAID CLAIMS FOR COUNTY NURSING FACILITY SUPPLEMENTATION PAYMENTS BY THE COMMONWEALTH OF PENNSYLVANIA

JUNE 2001
A-03-00-00211

DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES
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PHILADELPHIA, PENNSYLVANIA 19106-3499

Common Identification Number A-03-00-00211

Mr. Michael Stauffer
Deputy Secretary for Administration
Commonwealth of Pennsylvania
Department of Public Welfare
Office of Administration
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Harrisburg, Pennsylvania 17105-2675

Dear Mr. Stauffer:

This final report provides the results of our REVIEW OF MEDICAID CLAIMS FOR COUNTY NURSING FACILITY SUPPLEMENTATION PAYMENTS BY THE COMMONWEALTH OF PENNSYLVANIA. The objective of our review was to determine whether the Pennsylvania Department of Public Welfare's (DPW) claims for Federal matching funds for supplementation payments were properly reported and supported by sufficient documentation. Under Medicaid upper payment limit rules, States are permitted to establish payment methodologies that allow for enhanced payments to non-State-owned government providers, such as county nursing facilities. In Pennsylvania, these enhanced payments are called supplementation payments. The supplementation payments, which trigger a Federal matching payment, are in addition to the regular Medicaid payments made to nursing facilities.

We found that, in reporting supplementation payments to the Health Care Financing Administration (HCFA), DPW over claimed $89 million in Federal matching funds in State Fiscal Years (SFY)[1] 1997, 1998, and 1999 by including in its claims the county share of the costs that DPW had effectively waived. We estimate that DPW may have over claimed an additional $65 million in SFYs 1990 through 1996, bringing the total overpayment to about $155 million.

As a result of our review, we recommended that DPW: (1) discontinue the practice of over claiming Federal matching funds by over reporting supplementation payments; (2) refund $89,492,522 in Federal matching funds on over claimed supplementation payments for

[1]Pennsylvania's fiscal year is July 1 through June 30. SFY 1997 began July 1, 1997.

SFYs 1997 through 1999; and (3) together with HCFA, review supplementation payment claims for SFYs 1990 through 1996 to determine if the practice of over claiming these costs occurred in those earlier years, and if so, refund the associated excess Federal matching funds that we estimate to be $65,285,218.

This is the second report resulting from our review of enhanced Medicaid payments to county nursing facilities in Pennsylvania. Our first report,[2] issued to HCFA on February 9, 2001, analyzed DPW's use of intergovernmental transfers (IGT) to finance enhanced payments to county-owned nursing facilities and evaluated the financial impact of these transfers on the Medicaid program. An IGT represents a transfer of funds from one level of government to another.

In response to our draft report, DPW disagreed with our findings stating that we had misconstrued the provisions and DPW's implementation of the IGT agreement. Because of its disagreement, DPW requested that we withdraw our report. The DPW's comments to our draft report are included as an APPENDIX. We summarized DPW's comments along with our response to those comments in the Conclusion and Recommendations section of this report. Modifications were made in the final report based on DPW's comments.

INTRODUCTION

BACKGROUND

Title XIX of the Social Security Act (the Act) authorizes Federal grants to States for Medicaid programs that provide medical assistance to needy people. Each State Medicaid program is administered by the State in accordance with an approved State plan. In Pennsylvania, DPW administers the Medicaid program.

The Federal Government and the States share in the cost of the program. States incur expenditures for medical assistance payments to medical providers who furnish care and services to Medicaid beneficiaries. The Federal Government pays its share of medical assistance expenditures to a State according to a defined formula. The Federal share of medical cost, referred to as Federal financial participation (FFP), ranges from 50 percent to 83 percent, depending upon each State's relative per capita income. The FFP rate in Pennsylvania is about 54 percent. States report Medicaid expenditures and claim FFP on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form HCFA-64).

State Medicaid programs have flexibility in determining payment rates for their Medicaid providers. Regulations in effect at the time of our review allowed States to pay different rates to

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[2]Review of the Commonwealth of Pennsylvania's Use of Intergovernmental Transfers to Finance Medicaid Supplementation Payments to County Nursing Facilities (A-03-00-00203).

the same class of providers, as long as the payments, in aggregate, did not exceed the upper payment limit--defined as a reasonable estimate of what Medicare would have paid for the services. This allowed States to make enhanced Medicaid payments to county-owned facilities without violating the upper payment limit regulations. These enhanced payments are in addition to the basic Medicaid payments made to facilities that provide services to Medicaid eligible individuals. States are not required to justify to HCFA the details of why these enhanced payments are needed.

The DPW began the supplementation payment program in SFY 1990. The HCFA approved State Plan Amendment (SPA) provided for supplementation payments to county-owned nursing facilities with more than 270 beds if their Medicaid resident days accounted for at least 80 percent of their total resident days. There are 20 counties operating 23 nursing facilities that met the SPA requirements and qualified for supplementation payments. The SPA also specified that supplementation payments were subject to the availability of sufficient county, State, and Federal funds based upon an executed IGT agreement and subsequent transfer of funds.

As part of the supplementation payment process, each year DPW determined the available funding pool by calculating the amount of Medicaid funds available under the upper limit regulations. It then entered into an agreement with the County Commissioners Association of Pennsylvania (CCAP) whereby the counties borrow funds from a single bank (referred to as the transaction bank) using tax and revenue anticipation notes, which may be equal to the total amount of the funding pool. The county funds maintained at the transaction bank were then transferred using IGTs to a DPW bank account, also at the transaction bank, as the initial source to fund the pool. Within 24 hours of receipt, DPW transferred the amount received from the counties, plus a $1.5 million program implementation fee, back to the county bank accounts maintained at the transaction bank as Medicaid supplementation payments for nursing facility services. The counties used the supplementation payments to pay the bank notes. The counties then forwarded the program implementation fee to CCAP. The DPW reported the supplementation payments to HCFA as county nursing facility supplementation payments and claimed FFP. Thus, the supplementation payments to the county nursing facilities were merely electronic transfers of funds between the DPW account and the county accounts maintained at the transaction bank. All transactions were generally completed within 1 banking day, and except for the $1.5 million program implementation fee, the funds never left the transaction bank that maintained the accounts for DPW and the counties.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine whether DPW's claims for Federal matching funds for supplementation payments were properly reported and supported by sufficient documentation. Our audit was made in accordance with generally accepted government auditing standards. To accomplish our objective, we compared the amounts claimed by DPW for county nursing facility supplementation payments on Form HCFA-64 to supporting documentation for

SFYs 1997, 1998, and 1999. We also analyzed HCFA data on DPW's supplementation payments in SFYs 1990 through 1996.

The documentation we reviewed included: (1) Pennsylvania Medicaid SPAs for payments to nursing facilities; (2) the DPW/CCAP agreement that implemented the IGT process; (3) DPW voucher transmittals; (4) bank statements and bank transaction forms associated with the IGT activity; (5) Form HCFA-64s; and (6) HCFA data on DPW's IGT activity in SFYs 1990 through 1996.

RESULTS OF REVIEW AND RECOMMENDATIONS

DEPARTMENT OF PUBLIC WELFARE OVER CLAIMED $89 MILLION IN FEDERAL FINANCIAL PARTICIPATION FOR SUPPLEMENTATION PAYMENTS

The DPW inflated its supplementation claims to HCFA to fund forgiven county obligations. The overpayment may be as high as $155 million.

We found that DPW over claimed $166,647,122 in supplementation payments resulting in excessive FFP of $89,492,522 for SFYs 1997, 1998, and 1999. We believe an additional $65,285,218 in FFP may have been over claimed for SFYs 1990 through 1996, which would bring the total overpayment to $154,777,740 in FFP. The over claimed amount represented the difference between (1) the actual supplementation payments as supported by the IGTs and DPW voucher transmittals and (2) the claimed supplementation payments as reported by DPW on Form HCFA-64.

The DPW provided voucher transmittals in support of its supplementation payments and claims for FFP. The total amount of each voucher transmittal agreed with the amount of the corresponding supplementation payment as evidenced by the IGT processed between the DPW bank account and the participating county bank accounts. Each voucher transmittal identified the total supplementation payment split between the State and Federal share. For example, the voucher transmittal supporting the June 14, 2000 supplementation payment of $697,097,000 showed $303,754,855 as the State share and $393,342,145 as the Federal share. The FFP rate reflected in DPW's calculation of the Federal share was 56.43 percent ($393,342,145 divided by $697,097,000). However, DPW's FFP rate in effect at the time of the supplementation payment was 53.82 percent. This should have resulted in a Federal share of $375,177,605 ($697,097,000 times 53.82 percent) or $18,164,540 less than the amount computed by DPW. On the Form HCFA-64, DPW reported $730,847,539 as the total supplementation payment or $33,750,539 more than the actual supplementation payment of $697,097,000.

We asked DPW officials to explain the reason for the difference. Specifically, we asked why DPW claimed more in supplementation payments on the Form HCFA-64 than it could support through actual supplementation payments as evidenced by IGTs and voucher transmittals. The DPW officials explained that the difference represented the counties' shares of Medicaid supplementation payments to the county-owned nursing facilities. Pennsylvania law required counties to share in 10 percent of the State share of nursing facility costs. In order to account for the county share, DPW officials informed us that they "grossed up" or inflated the amounts reported on Form HCFA-64 for supplementation payments. The DPW provided schedules showing that it calculated the gross supplementation payments by summing the actual supplementation payment and an estimate of the county share of Medicaid supplementation payments for the participating county-owned nursing facilities.

The DPW, however, through its agreement with CCAP, provided that funds generated by IGTs and any corresponding Federal matching funds would be allocated to fully satisfy the counties' obligation to pay 10 percent of the certified non-Federal share used for public nursing facility care. Through this provision, DPW effectively waived the counties' obligation to share in the cost of Medicaid payments for county-owned nursing facilities.

We believe that DPW was not entitled to claim FFP on these waived county obligations. According to HCFA's State Medicaid Manual (SMM) section 2497.1, FFP is available only for allowable actual expenditures supported by adequate documentation and made on behalf of eligible recipients for covered services rendered by certified providers. The SMM section 2500.D.2 requires that when reporting expenditures for Federal reimbursement a State must apply the FFP rate in effect at the time the expenditure was recorded in its accounting records. An expenditure occurs when a cash payment is made to a provider. Finally, SMM section 2500.A.1 specifies that claims developed through the use of sampling, projections, or other estimating techniques are considered estimates and are not allowable under any circumstances.

The only cash payments by DPW for the supplementation payments were the amounts actually transferred through the IGTs from the DPW's bank account to the counties' bank accounts. The DPW was not entitled to claim FFP for any "grossed up" supplementation payment amounts greater than the actual transfers.

For SFYs 1997, 1998, and 1999, we compared the supplementation payments claimed on Form HCFA-64 to the actual supplementation payments supported by voucher transmittals and the IGTs between the State and counties. As shown in the following table, we found that DPW over claimed $166,647,122 in supplementation payments resulting in excessive FFP of $89,492,522.

6/8/00	$730,847,539	$697,097,000	$33,750,539	53.82%	$18,164,540
9/20/99	$647,856,355	$617,938,349	$29,918,006	53.82%	$16,101,870
9/20/99	$215,952,118	$205,968,651	$9,983,467	53.77%	$5,368,109
6/9/99	$319,690,282	$304,911,000	$14,779,282	53.77%	$7,946,819
10/21/98	$863,842,436	$823,907,000	$39,935,436	53.77%	$21,473,283
10/14/97	$821,291,392	$783,011,000	$38,280,392	53.39%	$20,437,901

In addition to the amounts shown above, and based on information obtained from HCFA records, we believe that an additional $65,285,218 in FFP may have been over claimed for SFYs 1990 through 1996. The HCFA's Philadelphia regional office staff provided schedules obtained from DPW containing the gross supplementation amounts calculated by summing the county share and net supplementation payments. The net supplementation payments represented the actual IGTs of funds from DPW to the counties. The HCFA, however, did not have the DPW voucher transmittals documenting the actual payments. To determine whether DPW over claimed FFP in supplementation payments during SFYs 1990 through 1996, DPW and HCFA should compare the amounts claimed for supplementation payments on Form HCFA-64 to voucher transmittal documentation.

The following table provides our estimate of $65,285,218 in additional overpayments if DPW's practice of over claiming supplementation payments occurred in that earlier period. These additional overpayments would bring the total potential overpayments to $154,777,740 in FFP.

State Fiscal Year	Gross Supplementation Payment (A)	Net Supplementation Payment (B)	Payment Over Limited (C = A - B)	FFP Rate (D)	Excessive FFP (E = C x D)
1996	$605,370,509	$576,827,290	$28,543,219	52.85%	$15,085,091
1996	$201,785,764	$192,287,710	$9,498,054	52.93%	$5,027,321
1995	$312,461,226	$297,858,350	$14,602,876	52.93%	$7,729,302
1995	$104,153,741	$99,286,116	$4,867,625	54.27%	$2,641,660
1994	$318,642,980	$304,071,437	$14,571,543	54.27%	$7,907,977
1993	$254,005,317	$242,476,016	$11,529,301	54.61%	$6,296,151
1993	$84,668,439	$80,899,000	$3,769,439	55.48%	$2,091,285
1992	$335,617,700	$320,676,000	$14,941,700	55.48%	$8,289,655
1991	$233,528,331	$223,449,248	$10,079,083	56.84%	$5,728,951
1990	$182,735,686	$174,812,267	$7,923,419	56.64%	$4,487,825
Total	$2,603,969,693	$2,513,643,434	$120,326,259		$65,285,218

CONCLUSION AND RECOMMENDATIONS

We found that DPW over claimed $166,647,122 in supplementation payments resulting in excessive FFP of $89,492,522 for SFYs 1997, 1998, and 1999. The DPW officials stated that these amounts represented the county share of Medicaid payments to county nursing facilities. However, in its IGT agreements with CCAP, DPW effectively waived the county share obligation. We believe an additional $65,285,215 in FFP may have been over claimed for SFYs 1990 through 1996, which would bring the total overpayment to $154,777,740 in FFP. Therefore, we recommended that DPW:

1. Discontinue the practice of over claiming Federal matching funds by over reporting supplementation payments.

2. Refund $89,492,522 in Federal matching funds for over claimed supplementation payments for SFYs 1997 through 1999.

3. Together with HCFA, review supplementation payment claims for SFYs 1990 through 1996 to determine if the practice of over claiming these costs occurred in those earlier years, and if so, refund the associated excess Federal matching funds that we estimate to be $65,285,218.

DPW'S RESPONSE AND OIG'S COMMENTS

In response to our draft report, DPW stated that the Commonwealth's use of IGTs to offset the costs of unfunded mandates imposed by Congress in the Medicaid program is well documented. The DPW also disagreed with our findings and recommendations stating that we had misconstrued the provisions and implementation of the IGT agreement between DPW and CCAP. That agreement defined the mechanism of fund transfers between the State and county governments. It also identified health and welfare programs that will receive funding from the State through the Federal matching funds generated by the supplementation payments. One provision provided for funds to satisfy the counties' obligation to pay 10 percent of the certified non-Federal share of public nursing facility care. The DPW claimed that CCAP and the Commonwealth neither drafted the agreement language nor intended the agreement language to provide for the satisfaction of the county share of the supplementation payments. Rather, the satisfaction of the county share, as contemplated under the agreements, strictly related to payments made to county nursing facilities through the Commonwealth's regular Medical Assistance Management Information System. Consequently, DPW believed that it did not inappropriately claim Federal funds. Because of its disagreement, DPW requested that we withdraw our report.

In its response, DPW did not provide any additional documentation or information that would cause us to change our findings or recommendations. Our review showed that DPW over claimed supplementation payments by $166,647,122 during SFYs 1997, 1998, and 1999 resulting in excessive FFP of $89,492,522. The over claimed amount represented the difference between the actual supplementation payments as supported by IGTs and DPW voucher transmittals and the claimed supplementation payments as reported by DPW on Form HCFA-64. According to HCFA's SMM, FFP is available only for allowable actual expenditures supported by adequate documentation and made on behalf of eligible recipients for covered services rendered by certified providers. The SMM also specifies that when reporting expenditures for Federal reimbursement a State must apply the FFP rate in effect at the time the expenditure was recorded in its accounting records. An expenditure occurs when a cash payment is made to a provider. The only cash payments by DPW for the supplementation payments were the amounts actually transferred through the IGTs from the DPW's bank account to the counties' bank accounts. In our opinion, DPW was not entitled to claim FFP for any inflated supplementation payment amounts greater than the actual transfers.

The Office of Inspector General's (OIG) position can best be illustrated by again reviewing the June 14, 2000 supplementation payment. The DPW, on the Form HCFA-64, claimed this supplementation payment to be $730,847,539 ($393,342,145 FFP). The DPW recorded this payment in its monthly grant transaction update report. The report linked the June 14, 2000 supplementation payment to voucher transmittal number 97211626. That voucher transmittal, however, showed a total supplementation payment of $697,097,000 **and not** $730,847,539 as

was claimed by DPW on the Form HCFA-64. The voucher transmittal identified the Federal share to be $393,342,145 and $303,754,852 for the State share. However, based on DPW's FFP rate of 53.82 percent, the Federal share of the $697,097,000 supplementation payment should have been $375,177,605 resulting in an $18,164,540 overpayment.

The DPW also provided a supplemental schedule along with its voucher transmittal detailing the supplementation payments to the participating counties. The schedule contained a column entitled **net** county supplementation payments that totals $697,097,000 and another identified as county share totaling $33,750,539. The sum of these two figures makes up a **gross** county supplementation payment of $730,847,539 that was claimed on the Form HCFA-64. However, there was no mention in the Commonwealth's State Medicaid plan of DPW's intent to claim an inflated supplementation payment over the actual supplementation payment, nor did it describe or seek HCFA's approval of DPW's and CCAP's plan to shift the counties' obligation to pay a portion of the State's share, to the Federal Government.

Therefore, we continue to believe that DPW, through its voucher transmittal and IGT process, did not adequately support its claim for supplementation payments to county nursing facilities. The DPW, by claiming an inflated supplementation payment, attempted to shift an additional burden to the Federal Government; i.e., the waived county portion of the State share, for which the Federal Government had no obligation since none of these payment mechanisms were in compliance with the SMM nor were they approved in the Commonwealth's State Medicaid plan.

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Final determination as to actions to be taken on all matters reported will be made by the HHS official cited below. We request that you respond to the HHS action 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.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), reports issued by OIG, Office of Audit Services to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise (see 45 CFR part 5).

To facilitate identification, please refer to Common Identification Number A-03-00-00211 in all correspondence relating to this report.

Sincerely,

David M. Long

David M. Long
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official
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COMMONWEALTH OF PENNSYLVANIA
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JAN 12 2001

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Mr. David M. Long
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Dear Mr. Long:

Thank you for your November 14, 2000 letter in which you transmitted your draft report entitled, "Review of Medicaid Claims for County Nursing Facility Supplementation Payments by the Commonwealth of Pennsylvania" (CIN #A-03-00-00211). Following are general comments regarding the Commonwealth's use of intergovernmental transfers (IGTs) and specific comments related to the major finding of your draft report.

General Comments

Current and past federal administrations have promoted the expansion of the Medicaid Program as part of their legislative agenda. The Commonwealth's use of IGTs to offset the costs of unfunded mandates imposed by Congress in the Medicaid Program is well documented, and known to both the Office of Inspector General (OIG) and the Health Care Financing Administration (HCFA). The Commonwealth has and will continue to provide the HCFA with all the information requested regarding our county supplementation payment process and the IGT negotiation process and implementation. Given the Commonwealth's history of timely and full disclosure of information regarding IGTs, we are puzzled by the major finding in your draft report.

Draft Report Finding

Your report concludes that the Department of Public Welfare (DPW) over-claimed $89 million in federal matching funds in state fiscal years 1997 through 1999 by including in its claims the county share of costs that the DPW had essentially "waived." Based on the same premise, you also suggest that the DPW may have over-claimed an additional $65 million in state fiscal years 1990 through 1996.

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The Commonwealth has not over-claimed federal matching funds.

We disagree with your draft report finding and believe you have misconstrued the provisions and the DPW's implementation of the IGT agreement.

As we have explained to your auditors, certain counties transfer county-generated revenues to the State Treasury. The Commonwealth then makes supplementation payments to qualifying county nursing facilities with funds from both the State Treasury and the federal Medicaid funds earned by the county transferred amounts. The Commonwealth then, in a completely separate action, negotiates with the County Commissioners Association of Pennsylvania (CCAP) and agrees upon ways in which to utilize the additional federal Medicaid funds to offset the cost of certain health and welfare services. The satisfaction of the County Share obligation, as described below, is but one of the negotiated IGT items.

In accordance with state statutory requirements, county governments are responsible to pay ten percent of the non-federal share of amounts expended for public nursing facility care[1] (see 62 P.S. § 472). The various agreements between the CCAP and the Commonwealth[2] for the relevant fiscal years provide that certain funds generated through IGTs will be used to satisfy "the counties' obligation to pay ten percent (10%) of the certified non-federal share used for public nursing facility care." The CCAP and the Commonwealth neither drafted the agreement language nor intended the agreement language to provide for the satisfaction of the County Share of the supplementation payments. Rather, the satisfaction of the County Share, as contemplated under the agreements, strictly relates to payments made to county nursing facilities through the Commonwealth's regular Medical Assistance Management Information System (MAMIS). Consequently, your assertion that the Commonwealth has inappropriately claimed federal funds is baseless.

More significantly, we are dismayed that the recommended disallowance is being raised at this point in time. As the attached* documents illustrate, the Commonwealth has provided information to the HCFA as part of its periodic reviews of the HCFA 64 claiming process, which clearly identifies the funds in question as being part of the revenues used to generate federal funds for county supplementation payment purposes. At no time did HCFA representatives either question the Commonwealth's inclusion of these funds in the county supplementation payment process or indicate that these funds were "waived" under the relevant IGT agreements.

*NOTE: The documents that Pennsylvania included as attachments to their comments contain bank account information. Therefore, we have not included the documents as part of our final report.

[1] This is commonly referred to as the "County Share."

[2] This agreement, along with the Commonwealth's approved Medicaid State Plan Amendment, authorized the implementation of an intergovernmental transfer of funds.

In summary, the Commonwealth has not over-claimed federal matching funds. We have proceeded to implement the IGT, including the processing of county supplementation payments, based, in part, on the satisfactory results of the periodic reviews of the HCFA 64 claiming process. Your recommendation for disallowance at this point is both erroneous and untimely. Accordingly, we respectfully request that you withdraw the draft report.

Sincerely,

Michael Stauffer

Attachments

cc: Ms. Paula Sanders, Esquire