DEPARTMENT OF HEALTH & HUMAN SERVICES **OFFICE OF INSPECTOR GENERAL**

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Report Number: A-01-07-00600

John A. Stephen
Commissioner
Department of Health & Human Services
129 Pleasant Street
Concord, NH 03301-3857

Dear Mr. Stephen:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Medicare Prescription Drug Subsidy Payments for Dually Eligible Beneficiaries in New Hampshire." We will forward a copy of this report to the HHS action official noted below.

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If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-01-07-00600 in all correspondence.

Sincerely,

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosure

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

MEDICARE PRESCRIPTION DRUG SUBSIDY PAYMENTS FOR DUALLY ELIGIBLE BENEFICIARIES IN NEW HAMPSHIRE

Daniel R. Levinson
Inspector General

October 2007
A-01-07-00600

Office of Inspector General

http://oig.hhs.gov

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The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the MMA) provides drug benefits for Medicare beneficiaries. As part of these benefits, Medicare subsidizes 100 percent of the prescription drug costs for full-benefit dual eligible beneficiaries (referred to in this report as "dual beneficiaries"). Dual beneficiaries are individuals who have Medicare coverage and are also eligible for Medicaid because they have either (1) limited income and resources or (2) high medical expenses that have caused them to spend down their income to Medicaid eligibility limits.

In accordance with section 103 of the MMA, the 50 States and the District of Columbia are required to pay the Centers for Medicare & Medicaid Services (CMS) a monthly contribution, beginning in January 2006, to defray a portion of Medicare drug expenditures for dual beneficiaries. The States' contributions will be phased down annually over 10 years as Medicare's responsibility for the subsidy increases.

Pursuant to the MMA, each State's contribution is determined in part by the number of dual beneficiaries in the State. To define this population, States are required to submit data to CMS for each month that a dual beneficiary is eligible for Medicaid. CMS uses these data both to calculate the States' phased-down contributions and to deem beneficiaries eligible for the prescription drug benefit. CMS automatically enrolls beneficiaries who have been deemed eligible in a prescription drug plan (PDP) for an entire calendar year and pays the PDP a 100-percent prescription drug subsidy for these beneficiaries for the whole year.

From January through October 2006, the New Hampshire Department of Health and Human Services (the State agency) made average monthly contributions of $134 for each dual beneficiary in the State towards Medicare's average payment of $279 per dual beneficiary for prescription drug subsidies in New Hampshire. For this period, the State contribution amounted to $22.3 million.

OBJECTIVE

The objective of our review was to determine if the population of dual beneficiaries that the State agency submitted to CMS each month to determine its phased-down contribution complied with CMS requirements.

RESULTS OF REVIEW

From January through October 2006, the State agency's monthly data submission of its dual beneficiary population complied with CMS requirements and supported its phased-down contribution.

This report makes no recommendations.

In the Other Matters section of this report, we note that our analysis of the State agency's monthly data submission and CMS's payments to plan sponsors identified a discrepancy. Specifically, the State agency's population of 156,406 dual beneficiaries during our audit period was not the same as the population of 185,988 dual beneficiaries that CMS deemed eligible for a Medicare prescription drug subsidy in New Hampshire.

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INTRODUCTION

BACKGROUND

Medicare Prescription Drug, Improvement, and Modernization Act of 2003

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the MMA) provides drug benefits for Medicare beneficiaries. As part of these benefits, Medicare subsidizes 100 percent of the prescription drug costs for full-benefit dual eligible beneficiaries (referred to in this report as "dual beneficiaries"). Dual beneficiaries are individuals who have Medicare coverage and are also eligible for Medicaid because they have either (1) limited income and resources or (2) high medical expenses that have caused them to spend down their income to Medicaid eligibility limits.

In accordance with section 103 of the MMA, the 50 States and the District of Columbia are required to pay the Centers for Medicare & Medicaid Services (CMS) a monthly contribution, beginning in January 2006, to defray a portion of Medicare drug expenditures for dual beneficiaries. The States' contributions will be phased down annually over 10 years as Medicare's responsibility for the subsidy increases.

State Monthly Data Submission

Pursuant to the MMA, each State's contribution is determined in part by the number of dual beneficiaries in the State. To define this population, States are required to submit data to CMS for each month that a dual beneficiary is eligible for Medicaid. CMS uses these data to calculate each State's phased-down contribution, which varies monthly according to the number of dual beneficiaries that the State reports.

CMS also uses the same data to deem beneficiaries eligible for the prescription drug benefit. CMS automatically enrolls beneficiaries who have been deemed eligible in a prescription drug plan (PDP) for an entire calendar year and pays the PDP a 100-percent prescription drug subsidy for these beneficiaries for the whole year.

New Hampshire Department of Health and Human Services

From January through October 2006, the New Hampshire Department of Health and Human Services (the State agency) made average monthly contributions of $134 for each dual beneficiary in the State towards Medicare's average payment of $279 per dual beneficiary for prescription drug subsidies in New Hampshire. For this period, the State contribution amounted to $22.3 million.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our review was to determine if the population of dual beneficiaries that the State agency submitted to CMS each month to determine its phased-down contribution complied with CMS requirements.

Scope

We reviewed State monthly MMA files and Medicare payment files for the prescription drug benefit for New Hampshire dual beneficiaries for the period January 1 through October 31, 2006.

Our consideration of the State agency's internal control structure was limited to obtaining an overall understanding of the State agency's policies and procedures for Medicaid premiums and cost-sharing for dual beneficiaries. Further, we relied on CMS's certification of the accuracy of the data on Medicare payments to PDP sponsors.

We conducted our fieldwork at the State agency in Concord, New Hampshire, from January through March 2007.

Methodology

To accomplish our objective, we:

- reviewed Federal and State regulations;
- reviewed CMS's and the State agency's policies and procedures;
- performed a computer match using CMS's State monthly MMA files and PDP-sponsor payment files;
- reviewed a statistical sample of 300 beneficiaries for whom CMS made a payment to a PDP sponsor but whom the state agency did not report as a dual beneficiary (see Appendix A);
- used the State's Eligibility and Income Verification System and Medicaid Management Information System to verify Medicaid eligibility and CMS's Medicare Beneficiary Database to verify PDP enrollment, residency, and payment information;
- used a variable appraisal program for a stratified random sample to estimate the potential number of individuals who were not dual beneficiaries in the sampled month or who were not New Hampshire residents (see Appendix B); and
- discussed the results of our review with representatives of the State agency and CMS.

We conducted our review in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

From January through October 2006, the State agency's monthly data submission of its dual beneficiary population complied with CMS requirements and supported its phased-down contribution.

This report makes no recommendations.

OTHER MATTERS

Our analysis of the State agency's monthly data submission and CMS's payments to plan sponsors identified a discrepancy. Specifically, the State agency's population of 156,406 dual beneficiaries was not the same as the population of 185,988 dual beneficiaries that CMS deemed eligible for a Medicare prescription drug subsidy in New Hampshire for the audit period. We sampled 300 of these discrepancies to determine why CMS's population was larger each month than the population reported on New Hampshire's monthly MMA data submissions. We identified three causes of these discrepancies:

- **Beneficiaries Deemed Eligible for Entire Calendar Year:** Of the 300 beneficiaries sampled, 195 (65 percent) became ineligible for Medicaid after CMS deemed them dual beneficiaries before the start of calendar year 2006. Of these 195 beneficiaries, 97 were not eligible for Medicaid for all of calendar year 2006, and 98 were Medicaid eligible for only part of calendar year 2006. Because of its policy of enrolling beneficiaries for a prescription drug subsidy for an entire year, CMS did not adjust its population of dual beneficiaries to account for those who became ineligible for Medicaid during the year, as reflected in the State's monthly MMA data submissions.

- **Inaccurate State Residence:** Of the 300 beneficiaries sampled, 97 (32 percent) were incorrectly listed as New Hampshire residents on CMS's file. CMS provided a file to each State in early October 2005 that identified where dual beneficiaries who resided in that State were auto-enrolled as of January 1, 2006. However, New Hampshire may not have had records of Medicaid eligibility for all individuals that CMS included in its file because (1) the mailing addresses in CMS's systems may have differed from the State's address data; (2) beneficiaries may have recently moved; and (3) if an individual had a representative, the representative's address was the address of record in CMS.

- **Inaccurate Medicare Health Insurance Identification Number:** Of the 300 beneficiaries sampled, 8 (3 percent) had Medicare identification numbers in their CMS files that did not match the identification numbers in the State agency's files. Through a name search, the State agency identified each individual, confirmed Medicaid eligibility, and confirmed that it had submitted information on these beneficiaries in its monthly MMA data submission.

Thus, we estimate that CMS made 19,298 100-percent drug subsidy payments in 2006 for individuals in New Hampshire who were not eligible for Medicaid at the time and 9,482 100-percent drug subsidy payments for individuals incorrectly listed as New Hampshire residents in CMS's file.

APPENDIXES

SAMPLING METHODOLOGY

OBJECTIVE

Our sampling objective was to determine if the population of full-benefit dual eligible individuals that the New Hampshire Department of Health and Human Services (the State agency) submitted to CMS each month to determine its phased-down payments corresponded to the population of full-benefit dual eligible individuals in New Hampshire for which CMS made prospective payments to prescription drug plans (PDPs).

POPULATION

The sample population consisted of full-benefit dual eligible individuals for whom CMS made prospective payments to PDPs for the period January through October 2006 but who were not included in the State's monthly submission of full-benefit dual eligible individuals during all of those months.

Population Sizes

Month	Per CMS Files	Per State Files	Sample Population
January	18,525	16,272	2,253
February	18,398	15,877	2,521
March	18,724	15,960	2,764
April	18,670	15,783	2,887
May	18,684	15,719	2,965
June	18,659	15,590	3,069
July	18,699	15,547	3,152
August	18,586	15,369	3,217
September	18,461	15,242	3,219
October	18,582	15,047	3,535
Total	**185,988**	**156,406**	**29,582**

SAMPLE DESIGN

The audit used a stratified random sample design. We stratified the sample population by month (January through October 2006).

SAMPLE SIZE

The statistical sample consisted of 30 sampling units within each stratum for a total of 300 sampling units.

SAMPLE RESULTS AND PROJECTIONS

STATISTICAL SAMPLE RESULTS

The tables below present the results of our review of a statistical sample of 300 beneficiaries for whom CMS made a payment to a PDP sponsor but whom the State agency did not report as a dual beneficiary.[1]

Table 1: Individuals Ineligible for Medicaid in New Hampshire but Deemed Dual Beneficiaries by CMS for 2006

Stratum	Sample Size	Individuals Not Eligible All Year		Individuals Eligible for Part of Year		Total Ineligible	
		No.	Projection	No.	Projection	No.	Projection
1	30	12	901	8	601	20	1,502
2	30	10	840	6	504	16	1,345
3	30	11	1,013	6	553	17	1,566
4	30	7	674	13	1,251	20	1,925
5	30	13	1,285	8	791	21	2,076
6	30	8	818	11	1,125	19	1,944
7	30	15	1,576	10	1,051	25	2,627
8	30	4	429	16	1,716	20	2,145
9	30	8	858	10	1,073	18	1,931
10	30	9	1,061	10	1,178	19	2,239
Total	**300**	**97**	**9,456**[2]	**98**	**9,843**[3]	**195**	**19,298**[4]

[1] Eight individuals whose CMS Medicare identification numbers did not match the identification numbers in their State agency files were not projected over the entire population.
[2] 90-percent confidence level (CL) = 8,158–10,753.
[3] 90-percent CL = 8,516–11,169.
[4] 90-percent CL = 17,955–20,642.

Table 2: Individuals Incorrectly Listed as New Hampshire Residents on CMS's 2006 File

Stratum	Sample Size	Number	Projection
1	30	10	751
2	30	12	1,008
3	30	12	1,106
4	30	9	866
5	30	9	890
6	30	10	1,023
7	30	5	525
8	30	10	1,072
9	30	11	1,180
10	30	9	1,061
Total	**300**	**97**	**9,482**[5]

[5] 90-percent CL = 8,161–10,803.