April 7, 2010

TO: Charlene Frizzera
Acting Administrator
Centers for Medicare & Medicaid Services

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

SUBJECT: Review of American Recovery and Reinvestment Act of 2009 Medicaid Eligibility Requirements in Louisiana (A-06-09-00100)

Attached, for your information, is an advance copy of our final report on American Recovery and Reinvestment Act of 2009 Medicaid eligibility requirements in Louisiana. We will issue this report to the Louisiana Department of Health and Hospitals within 5 business days.

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 email at George.Reeb@oig.hhs.gov or Patricia Wheeler at (214) 767-6325 or through email at Patricia.Wheeler@oig.hhs.gov. Please refer to report number A-06-09-00100.

Attachment

DEPARTMENT OF HEALTH & HUMAN SERVICES **Office of Inspector General**

Office of Audit Services, Region VI
1100 Commerce Street, Room 632
Dallas, TX 75242

April 14, 2010

Report Number: A-06-09-00100

Mr. Jerry Phillips
Medicaid Director
Louisiana Department of Health & Hospitals
628 North 4th Street
Baton Rouge, LA 70821-9288

Dear Mr. Phillips:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of American Recovery and Reinvestment Act of 2009 Medicaid Eligibility Requirements in Louisiana*. We will forward a copy of this report to the HHS action official noted below.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://oig.hhs.gov.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-06-09-00100 in all correspondence.

Sincerely,

/Patricia Wheeler/
Regional Inspector General
for Audit Services

Enclosure

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, IL 60601

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 MEDICAID ELIGIBILITY REQUIREMENTS IN LOUISIANA

Daniel R. Levinson
Inspector General

April 2010
A-06-09-00100

Office of Inspector General

http://oig.hhs.gov

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Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

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.

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.

Pursuant to section 1905(b) of the Act, the Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time.

Temporary Increase in Federal Medical Assistance Percentages

The American Recovery and Reinvestment Act of 2009 (the Recovery Act), P.L. No. 111-5, enacted February 17, 2009, provides fiscal relief to States to protect and maintain State Medicaid programs in a period of economic downturn. For the recession adjustment period (October 1, 2008, through December 31, 2010), the Recovery Act provides an estimated $87 billion in additional Medicaid funding based on temporary increases in States' FMAPs. Section 5000 of the Recovery Act provides these increases to help avert cuts in health care provider payment rates, benefits, or services and to prevent changes in income eligibility requirements that would reduce the number of individuals eligible for Medicaid.

To qualify for the increased FMAP, States must meet various criteria. One of these addresses eligibility. Pursuant to section 5001(f)(1)(A) of the Recovery Act, a State is not eligible for an increase in its FMAP for quarters during the recession adjustment period in which its Medicaid eligibility standards, methodologies, or procedures are more restrictive than those in effect on July 1, 2008.

Louisiana's Temporary Increase in Federal Medical Assistance Percentage

In accordance with provisions in the Recovery Act, CMS made $343.3 million in additional Medicaid funding available to the Louisiana Department of Health and Hospitals (the State agency) for the first three quarters of Federal fiscal year 2009 (October 2008 through June 2009). For that period, CMS increased the State agency's FMAP 8.70 percentage points, from 71.31 percent to 80.01 percent.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency's Medicaid eligibility standards, methodologies, and procedures during the first three quarters of Federal fiscal year 2009 were more restrictive than those in effect on July 1, 2008.

Scope

We reviewed the State agency's Medicaid eligibility standards, methodologies, and procedures that were in effect during the period October 1, 2008, through June 30, 2009, to determine whether they were more restrictive than those in effect on July 1, 2008. We did not review a sample of eligibility case files to validate that standards, methodologies, or procedures were consistently used in determining Medicaid eligibility. We did not determine if the State agency increased its Medicaid eligibility income standards (expressed as a percentage of the poverty line) or if it applied the increased FMAP to expenditures for individuals made eligible for Medicaid as a result of increased income standards. We did not review the State agency's overall internal control structure. We limited our review to obtaining an understanding of the procedures the State agency used for changing eligibility standards, methodologies, and procedures and for communicating procedures to the staff members who made eligibility determinations.

We performed our fieldwork at the State agency's office in Baton Rouge, Louisiana, and at four Medicaid offices in Baton Rouge, New Orleans, Gonzales, and Winnfield, Louisiana, in July 2009.

Methodology

To accomplish our objective, we:

- reviewed the Recovery Act legislation and applicable CMS guidance;
- reviewed all Medicaid eligibility-related changes made to Louisiana's State plan after July 1, 2008;
- reviewed all changes made to Louisiana's *Medicaid Eligibility Manual* after July 1, 2008;
- interviewed CMS regional office officials;
- interviewed State agency management and Medicaid eligibility policy officials;
- interviewed parish Medicaid office staff members who made eligibility determinations to determine how changes in eligibility standards, methodologies, and procedures were communicated to them and what changes they implemented after July 1, 2008; and

- compared all revised eligibility standards, methodologies, and procedures implemented after July 1, 2008, to those in effect on July 1, 2008.

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.

RESULTS OF REVIEW

Although the State agency made changes to its Medicaid eligibility standards, methodologies, and procedures after July 1, 2008, the standards, methodologies, and procedures in effect during the first three quarters of Federal fiscal year 2009 were not more restrictive than those in effect on July 1, 2008.

The eligibility changes included:

- updates to Federal guidelines, such as poverty level charts, life expectancy tables, and standards used to determine applicants' needs in relation to their resources;

- editorial changes that did not affect the eligibility process; and

- changes that made the eligibility process less restrictive.

This report contains no recommendations.