

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ALABAMA IMPROPERLY CLAIMED
FEDERAL FUNDS FOR CHILDREN'S
HEALTH INSURANCE PROGRAM
ENROLLEES WHO HAD MEDICAID OR
OTHER HEALTH INSURANCE
COVERAGE**

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Office of Inspector General

<http://oig.hhs.gov>

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EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XIX of the Social Security Act (the Act), Medicaid pays for medical assistance for certain individuals and families with low income and resources. Pursuant to Title XXI of the Act, the State Children's Health Insurance Program (now known as Children's Health Insurance Program (CHIP)) provides free or affordable health care coverage to targeted low-income children. Section 2110(b)(1)(C) of the Act defines "targeted low-income children" as those not found to be eligible for Medicaid or covered under a group health plan or other health insurance coverage.

The Federal and State Governments jointly fund and administer both Medicaid and CHIP. The Centers for Medicare & Medicaid Services (CMS) administers both programs at the Federal level. To participate in the programs, a State must receive CMS's approval of a State plan. The State plan is a comprehensive document that defines how each State will operate its programs, including program administration, eligibility criteria, service coverage, and provider reimbursement.

In Alabama, CHIP and Medicaid are operated by separate State agencies. The Alabama Department of Public Health (Alabama) administers Alabama's CHIP, known as "ALL Kids," and the Alabama Medicaid Agency administers the Medicaid program. ALL Kids determines CHIP eligibility and contracts with Blue Cross Blue Shield of Alabama to provide medical, mental health, and substance abuse services through its preferred provider network. Applicants eligible for Medicaid services are certified by the Alabama Medicaid Agency or the Alabama Department of Human Resources. In addition, an individual eligible for Supplemental Security Income (SSI) is deemed eligible for Medicaid in Alabama. SSI eligibility determinations are made by the U.S. Social Security Administration and may be retroactive for an extended period of time.

Federal medical assistance percentages (FMAP) are used to determine the amount of Federal financial participation (FFP), or matching funds, for State expenditures in Medicaid and other social services. For Medicaid, section 1905(b) of the Act specifies the formula for calculating the FMAPs. The Federal Government uses enhanced FMAPs to determine the amount of FFP for State CHIP expenditures (CHIP FFP). The formula for calculating the CHIP FMAP is found under section 2105(b) of the Act.

The State agencies report their expenditures to CMS for Federal reimbursement on Forms CMS-64 (Medicaid) and CMS-21 (CHIP). In Alabama, the FMAPs applicable for Medicaid were 68.01 percent and 68.54 percent for Federal fiscal years (FY) 2010 and 2011, respectively. The FMAPs applicable for CHIP were 77.61 percent and 77.98 percent for the same FYs. During our audit period, the State agencies claimed FFP of \$3,715,392,279 and \$128,316,910 for Medicaid and CHIP, respectively.

OBJECTIVE

Our objective was to determine whether Alabama claimed CHIP FFP for individuals who were concurrently enrolled in CHIP and Medicaid or who had other health insurance coverage.

SUMMARY OF FINDINGS

Alabama improperly claimed CHIP FFP for some individuals who were concurrently enrolled in CHIP and Medicaid. Of the 138 CHIP beneficiary-months in our sample, 131 totaling \$1,046,285 FFP were not allowable for CHIP reimbursement because the individuals were also enrolled in Medicaid. We found no errors in the remaining seven CHIP beneficiary-months. Based on our sample results, we estimated that Alabama improperly claimed \$1,547,357 in CHIP FFP for enrollees who were concurrently enrolled in CHIP and Medicaid from October 1, 2009, through September 30, 2010.

Alabama also improperly claimed CHIP FFP for some individuals who had other health insurance coverage. Our review of the remaining 1,902,230 CHIP payments totaling \$156,629,078 that were not included in our Medicaid concurrent enrollment population revealed that 3,387 payments were not allowable for CHIP FFP because the individuals had other health insurance coverage. As a result, Alabama improperly claimed \$152,602 in CHIP FFP for individuals who had other health insurance coverage from October 1, 2009, through September 30, 2010.

The concurrent enrollment in CHIP and Medicaid occurred because:

- Medicaid enrollment could be retroactive for up to 3 months, during which the individual could also have been enrolled in CHIP.
- SSI eligibility, and consequent Medicaid enrollment, could be retroactive to the original application date, a period during which the individual could also have been enrolled in CHIP.

Moreover, the State agency did not have adequate internal controls to prevent or promptly correct concurrent enrollments.

The CHIP payments that Alabama claimed on behalf of individuals who had other health insurance coverage occurred because ALL Kids policy allowed for a coordination of benefits between CHIP and other health insurance coverage.

RECOMMENDATIONS

We recommend that Alabama:

- refund \$1,547,357 (Federal share) for FFP claimed on behalf of individuals who were concurrently enrolled in CHIP and Medicaid,

- refund \$152,602 (Federal share) for FFP claimed on behalf of individuals enrolled in CHIP who had other health insurance coverage,
- develop additional policies and procedures to prevent or promptly recoup CHIP payments made on behalf of individuals who are identified as enrolled concurrently in Medicaid, and
- revise the current policy that allows for a coordination of benefits between CHIP and other health insurance coverage.

ALABAMA COMMENTS

In written comments on our draft report, Alabama disagreed with all of our recommendations. Regarding our first recommendation, Alabama stated that, for a majority of cases cited in our draft report, CHIP eligibility was determined and coverage was provided according to the CHIP State plan. Alabama also did not concur with our second recommendation, saying that terminating coverage would violate the State plan, which provides 12 months of continuous coverage.

Regarding our third recommendation, Alabama said that it has procedures in place to identify concurrent enrollment resulting from retroactive Medicaid enrollment and that it terminates CHIP coverage when it identifies concurrent enrollment. However, Alabama said that it would work with the Alabama Medicaid Agency to provide training for Medicaid eligibility workers to reduce the number of concurrent enrollments.

Regarding our fourth recommendation, Alabama said that CMS provided verbal approval of its coordination-of-benefits policy, and Alabama feels that it recognizes some cost savings as a result of the coordination of benefits between CHIP and other health insurance coverage.

Alabama's comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

After review and consideration of Alabama's comments and Federal requirements, we maintain that our findings and recommendations are appropriate.

Federal law prohibits CHIP payments for child health assistance provided under a State plan for a targeted low-income child if payment has been made or can reasonably be expected to be made under any other Federal health insurance program. Section 2110(b)(1)(C) of the Act defines a "targeted low-income child," in part, as a child who is not eligible for Medicaid or covered under any other group health plan. This definition does not support Alabama's position on our first or second recommendations because it specifically states that the child may not be enrolled in or eligible for Medicaid and may not be covered under any other group health plan. Furthermore, Alabama's State plan says that enrollment in Medicaid affects a beneficiary's continuous enrollment in CHIP.

Although Alabama had internal controls in place to identify concurrent enrollment, its controls did not always prevent or promptly correct for concurrent enrollment. Furthermore, Alabama had no procedures in place to recoup CHIP expenditures when it identified concurrent enrollment.

Finally, although Federal law allows coordination of benefits under a premium assistance subsidy program in certain situations, Alabama did not elect this provision in its State plan and did not provide adequate documentation to support its position that CMS approved the coordination of benefits.

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INTRODUCTION

BACKGROUND

Medicaid and Children's Health Insurance Program

Pursuant to Title XIX of the Social Security Act (the Act), Medicaid pays for medical assistance for certain individuals and families with low income and resources. Pursuant to Title XXI of the Act, the State Children's Health Insurance Program¹ (CHIP) provides free or affordable health care coverage to targeted low-income children. Section 2110(b)(1)(C) of the Act defines "targeted low-income children" as those not found to be eligible for Medicaid or covered under a group health plan or other health insurance coverage.

The Federal and State Governments jointly fund and administer both Medicaid and CHIP. The Centers for Medicare & Medicaid Services (CMS) administers both programs at the Federal level. To participate in the programs, a State must receive CMS's approval of a State plan. The State plan is a comprehensive document that defines how each State will operate its programs, including program administration, eligibility criteria, service coverage, and provider reimbursement.

Federal medical assistance percentages (FMAP) are used to determine the amount of Federal financial participation (FFP), or matching funds, for State expenditures in Medicaid and other social services. For Medicaid, section 1905(b) of the Act specifies the formula for calculating the FMAPs. The Federal Government uses enhanced FMAPs to determine the amount of FFP for State CHIP expenditures (CHIP FFP). The formula for calculating the CHIP FMAP is found under section 2105(b) of the Act.

Alabama's Medicaid and Children's Health Insurance Program

In Alabama, CHIP and Medicaid are operated by separate State agencies. The Alabama Department of Public Health (Alabama) administers Alabama's CHIP, known as "ALL Kids," and the Alabama Medicaid Agency administers the Medicaid program. ALL Kids determines CHIP eligibility and contracts with Blue Cross Blue Shield of Alabama to provide medical, mental health, and substance abuse services through its preferred provider network. Applicants eligible for Medicaid services are certified by the Alabama Medicaid Agency or the Alabama Department of Human Resources. In addition, an individual eligible for Supplemental Security Income (SSI) is deemed eligible for Medicaid in Alabama. SSI eligibility determinations are made by the U.S. Social Security Administration and may be retroactive for an extended period of time.

The State agencies report their expenditures to CMS for Federal reimbursement on Forms CMS-64 (Medicaid) and CMS-21 (CHIP). In Alabama, the FMAPs applicable for Medicaid were 68.01 percent and 68.54 percent for Federal fiscal years (FY) 2010 and 2011, respectively. The FMAPs applicable for CHIP were 77.61 percent and 77.98 percent for the same FYs.

¹ This program was renamed the Children's Health Insurance Program.

During our audit period, the State agencies claimed FFP of \$3,715,392,279 and \$128,316,910 for Medicaid and CHIP, respectively.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Alabama claimed CHIP FFP for individuals who were concurrently enrolled in CHIP and Medicaid or who had other health insurance coverage.

Scope

From a population of 1,748 CHIP beneficiary-months totaling \$2,120,991, for the period October 1, 2009, through September 30, 2010, we reviewed 138 beneficiary-months to determine whether the individuals were concurrently enrolled in CHIP and Medicaid. We also reviewed all CHIP payments for individuals listed as having other health insurance coverage. We did not evaluate Alabama's eligibility determinations for our sample of beneficiary-months beyond determining whether individuals enrolled in CHIP were concurrently enrolled in Medicaid or had other health insurance coverage.

We performed fieldwork at ALL Kids and Alabama's Medicaid Agency from June through December 2011.

Methodology

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, and other guidance related to Medicaid and CHIP enrollment;
- interviewed ALL Kids and Alabama Medicaid Agency officials to identify their policies and procedures for coordinating Medicaid and CHIP enrollment;
- obtained the CHIP payment file from ALL Kids with dates of service from October 1, 2009, through September 30, 2010;
- obtained the Medicaid Statistical Information System enrollment file from CMS for October 1, 2009, through September 30, 2010;
- matched Medicaid enrollment and CHIP payment files to create a matched file of CHIP payments made for individuals during a month in which they were also enrolled in Medicaid;
- selected a sample of 138 CHIP beneficiary-months from the matched file (sampling frame) above and, for these 138 beneficiary-months:

- reviewed available Medicaid and CHIP enrollment records, including CHIP case notes, correspondence, and other supporting documentation;
 - verified concurrent enrollment with ALL Kids and Alabama Medicaid Agency officials; and
 - calculated the amount of unallowable payments by multiplying the CHIP payment by the applicable FMAP for those individuals found to be concurrently enrolled;
- estimated the total amount of unallowable payments in our sampling frame; and
 - reviewed the remaining 1,902,230 CHIP payments totaling \$156,629,078 with dates of service from October 1, 2009, through September 30, 2010, that were not included in our sampling frame and identified payments made for individuals who had other health insurance coverage.

See Appendix A for a complete description of our sampling methodology and Appendix B for our sample results.

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 RECOMMENDATIONS

Alabama improperly claimed CHIP FFP for some individuals who were concurrently enrolled in CHIP and Medicaid. Of the 138 CHIP beneficiary-months in our sample, 131 totaling \$1,046,285 FFP were not allowable for CHIP reimbursement because the individuals were also enrolled in Medicaid. We found no errors in the remaining seven CHIP beneficiary-months. Based on our sample results, we estimated that Alabama improperly claimed \$1,547,357 in CHIP FFP for enrollees who were concurrently enrolled in CHIP and Medicaid from October 1, 2009, through September 30, 2010.

Alabama also improperly claimed CHIP FFP for some individuals who had other health insurance coverage. Our review of the remaining 1,902,230 CHIP payments totaling \$156,629,078 that were not included in our Medicaid concurrent enrollment population revealed that 3,387 payments were not allowable for CHIP FFP because the individuals had other health insurance coverage. As a result, Alabama improperly claimed \$152,602 in CHIP FFP for individuals who had other health insurance coverage from October 1, 2009, through September 30, 2010.

The concurrent enrollment in CHIP and Medicaid occurred because:

- Medicaid enrollment could be retroactive for up to 3 months, during which the individual could also have been enrolled in CHIP.
- SSI eligibility, and consequent Medicaid enrollment, could be retroactive to the original application date, a period during which the individual could also have been enrolled in CHIP.

Moreover, the State agency did not have adequate internal controls to prevent or promptly correct concurrent enrollments.

The CHIP payments that Alabama claimed on behalf of individuals who had other health insurance coverage occurred because ALL Kids policy allowed for a coordination of benefits between CHIP and other health insurance coverage.

CHILDREN'S HEALTH INSURANCE PROGRAM PAYMENTS MADE FOR INDIVIDUALS ENROLLED IN MEDICAID

Federal and State Requirements

Pursuant to section 2105(a)(1)(A) of the Act, CHIP is available to targeted low-income children. Section 2110(b)(1)(C) of the Act defines targeted low-income children as those not found to be eligible for Medicaid or covered under a group health plan or other health insurance coverage.

Section 2105(c)(6)(B) of the Act specifically prohibits CHIP payments for which payment has been made or can reasonably be expected to be made under any other Federal health care insurance program.

Federal regulations (42 CFR § 457.350(a)(1)) require States to use screening procedures to ensure that only targeted low-income children are furnished child health assistance. If the children are potentially eligible for Medicaid, the State must facilitate application to Medicaid (42 CFR § 457.350(a)(2)).

Section 4.1.7 of the *Alabama CHIP State Plan* says that a child is not eligible for ALL Kids if s/he has any other health insurance coverage or is found eligible or potentially eligible for Medicaid.

Because only targeted low-income children are eligible for coverage through CHIP, and by definition such children are those not eligible for Medicaid or covered under a group health plan or other health insurance coverage, there should not be concurrent enrollment in Medicaid and CHIP or other health insurance and CHIP.

Children's Health Insurance Program Enrollees With Concurrent Medicaid Enrollment

Alabama did not always claim CHIP FFP reimbursement in accordance with Federal and State requirements. Of the 138 CHIP beneficiary-months in our sample, 131 totaling \$1,046,285 FFP were not allowable for Federal CHIP reimbursement because the individuals were also enrolled in Medicaid.

Retroactive Medicaid Enrollment

The combination of retroactive Medicaid enrollment and CHIP coverage resulted in Alabama making CHIP payments before it established an individual's eligibility for Medicaid. Alabama provided Medicaid coverage for the full month if an individual was eligible at any time during the month.² In addition, Medicaid enrollment can be retroactive for up to 3 months if the individual would have been eligible during the retroactive period.³ Once an individual is enrolled in CHIP, Alabama considers the individual eligible for continuous coverage for 12 months. Thus, a CHIP enrollee may apply for Medicaid coverage and be determined retroactively eligible for Medicaid while still enrolled in CHIP. For example, an individual in our sample was enrolled in CHIP effective March 1, 2010. During June 2010, the individual was determined eligible for and enrolled in Medicaid with a retroactive effective date of May 1, 2010. This retroactive enrollment resulted in the individual being concurrently enrolled in CHIP and Medicaid for the month of May 2010.

In addition, an individual eligible for SSI is deemed eligible for Medicaid in Alabama. SSI eligibility determinations are made by the U.S. Social Security Administration and may be retroactive for an extended period of time. If an SSI eligibility determination is made retroactive for an individual, their Medicaid eligibility may be retroactive for the same period. In these cases, the individual's retroactive eligibility for Medicaid may overlap with a period when the individual was enrolled in CHIP. For example, an individual in our sample was enrolled in CHIP from November 1, 2008, through October 1, 2010. In August 2010, the individual was enrolled in Medicaid with a retroactive effective date of May 1, 2009, based on a determination that the individual was eligible for SSI. This retroactive enrollment resulted in over 1 year of concurrent enrollment in CHIP and Medicaid for this individual.

Inadequate Internal Controls

Alabama did not have adequate internal controls to prevent or promptly adjust for retroactive concurrent enrollments. During our audit period, ALL Kids and the Alabama Medicaid Agency had a coordinated process in place to identify individuals who were concurrently enrolled in both the CHIP and Medicaid programs. Under this process, ALL Kids provided the Medicaid agency with CHIP enrollment files. Using these files, the Medicaid agency ran a weekly match between the CHIP enrollment file and the Medicaid enrollment system to identify and report all individuals enrolled in both programs.

² 42 CFR § 435.914(b) and Rule No. 560-X-25-.12 of the Alabama Medicaid Administrative Code.

³ Section 1902(a)(34) of the Act and 42 CFR § 435.914(a).

Based on the results of the ALL Kids coordination process with Medicaid, All Kids would cancel everyone listed on the concurrent enrollment report and send a letter to the parent explaining the concurrent enrollment and informing them of the date that ALL Kids would be canceled. If ALL Kids sent the notification from the 1st through the 20th of the month, the ALL Kids enrollment cancellation was effective on the last day of that month. However, if the notification was sent from the 21st to the last day of the month, the ALL Kids enrollment cancellation was effective on the last day of the following month. In this scenario, an individual could continue to be concurrently enrolled in CHIP and Medicaid for an additional month after being identified as concurrently enrolled. Because of the delay in canceling concurrent enrollees from ALL Kids after they were identified, this process was inadequate to prevent duplicate coverage.

Furthermore, ALL Kids had no process in place to repay the CHIP FFP for payments made on behalf of individuals whom they identified as being concurrently enrolled in both CHIP and Medicaid.

Improperly Claimed Federal Financial Participation

We estimated that Alabama improperly claimed \$1,547,357 in CHIP FFP for individuals who were concurrently enrolled in CHIP and Medicaid from October 1, 2009, through September 30, 2010.

Although these payments were ineligible for Federal CHIP reimbursement, the services associated with these payments may have been eligible for reimbursement under Medicaid. Determination of the specific services provided to the individuals in our sample and whether these services were reimbursable under Medicaid was beyond the scope of our audit.

CHILDREN'S HEALTH INSURANCE PROGRAM PAYMENTS MADE FOR INDIVIDUALS WITH OTHER HEALTH INSURANCE COVERAGE

Federal and State Requirements

Pursuant to section 2105(a)(1)(A) of the Act, CHIP is available to targeted low-income children. Section 2110(b)(1)(C) of the Act defines "targeted low-income children" as those not found to be eligible for Medicaid or covered under a group health plan or other health insurance coverage.

Section 4.1.7 of the *Alabama CHIP State Plan* says that a child is not eligible for ALL Kids if s/he has any other health insurance coverage.

Because only targeted low-income children are eligible for coverage through CHIP, and by definition such children are those not found to be covered under a group health plan or other health insurance coverage, individuals should not receive coverage through CHIP if they have other health insurance coverage.

Children’s Health Insurance Program Enrollees With Other Health Insurance Coverage

Alabama claimed CHIP FFP for some individuals who had other health insurance coverage. Our review of the remaining 1,902,230 CHIP payments totaling \$156,629,078 that were not included in our Medicaid concurrent enrollment population revealed that 3,387 payments were not allowable for CHIP FFP because the individuals had other health insurance coverage. As a result, Alabama improperly claimed \$152,602 in CHIP FFP for individuals who had other health insurance coverage from October 1, 2009, through September 30, 2010.

Coordinating Benefits With Other Health Insurance Coverage

ALL Kids determined individuals to be ineligible for CHIP coverage if they had other health insurance coverage at the time of their initial or renewal applications. However, as noted previously, once an individual was enrolled in CHIP, ALL Kids considered the individual eligible for continuous coverage for 12 months. If ALL Kids determined that an individual had other health insurance coverage during this continuous coverage period, policies and procedures allowed for coordinating coverage benefits between ALL Kids and the other health insurance coverage rather than terminating CHIP.⁴ This policy is inconsistent with section 4.1.7 of the *Alabama CHIP State Plan* discussed above and Federal law (section 2110(b)(1)(C) of the Act). A State may elect to offer premium assistance subsidies for qualified employer-sponsored coverage⁵ to targeted low-income children who are eligible for CHIP coverage and provide supplemental coverage for items or services that are not covered, or are only partially covered, under the qualified employer-sponsored coverage.⁶ However, Alabama did not elect to provide coverage under a premium assistance program in section 4.4.4.4 of the *Alabama CHIP State Plan*.

ALL Kids’ current policies and procedures require that, for dates of service since January 1, 2008, it pays as the primary coverage only when an individual has no other health insurance coverage. However, if an individual has other health insurance coverage, ALL Kids pays as the secondary coverage, and the other health insurance pays as the primary. Paying as the secondary coverage generated unallowable CHIP payments for ALL Kids.

Improperly Claimed Federal Financial Participation

Alabama improperly claimed \$152,602 in CHIP FFP for individuals enrolled in CHIP who had other health insurance from October 1, 2009, through September 30, 2010.

⁴ If a child is enrolled in Medicaid during a continuous CHIP eligibility period, Alabama policy requires CHIP eligibility to be discontinued (ALL Kids policy, section 2-11).

⁵ Section 2105(c)(10)(B)(i) defines a “qualified employer-sponsored coverage” as a group health plan or health insurance coverage offered through an employer.

⁶ Section 2105(c)(10) of the Act.

RECOMMENDATIONS

We recommend that Alabama:

- refund \$1,547,357 (Federal share) for FFP claimed on behalf of individuals who were concurrently enrolled in CHIP and Medicaid,
- refund \$152,602 (Federal share) for FFP claimed on behalf of individuals enrolled in CHIP who had other health insurance coverage,
- develop additional policies and procedures to prevent or promptly recoup CHIP payments made on behalf of individuals who are identified as enrolled concurrently in Medicaid, and
- revise the current policy that allows for a coordination of benefits between CHIP and other health insurance coverage.

ALABAMA COMMENTS

In written comments on our draft report, Alabama disagreed with all of our recommendations. Regarding our first recommendation, Alabama stated that, for a majority of cases cited in our draft report, CHIP eligibility was determined and coverage was provided according to the CHIP State plan. Alabama also did not concur with our second recommendation, saying that terminating coverage would violate the State plan, which provides 12 months of continuous coverage.

Regarding our third recommendation, Alabama said that it has procedures in place to identify concurrent enrollment resulting from retroactive Medicaid enrollment and that it terminates CHIP coverage when it identifies concurrent enrollment. However, Alabama said that it would work with the Alabama Medicaid Agency to provide training for Medicaid eligibility workers to reduce the number of concurrent enrollments.

Regarding our fourth recommendation, Alabama said that CMS provided verbal approval of its coordination-of-benefits policy, and Alabama feels that it recognizes some cost savings as a result of the coordination of benefits between CHIP and other health insurance coverage.

Alabama's comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

After review and consideration of Alabama's comments and Federal requirements, we maintain that our findings and recommendations are appropriate.

Federal law prohibits CHIP payments for child health assistance provided under a State plan for a targeted low-income child if payment has been made or can reasonably be expected to be made under any other Federal health insurance program. Section 2110(b)(1)(C) of the Act defines a

“targeted low-income child,” in part, as a child who is not eligible for Medicaid or covered under any other group health plan. This definition does not support Alabama’s position on our first or second recommendations because it specifically states that the child may not be enrolled in or eligible for Medicaid and may not be covered under any other group health plan. Furthermore, Alabama’s State plan says that enrollment in Medicaid affects a beneficiary’s continuous enrollment in CHIP.

Although Alabama had internal controls in place to identify concurrent enrollment, its controls did not always prevent or promptly correct for concurrent enrollment. Furthermore, Alabama had no procedures in place to recoup CHIP expenditures when it identified concurrent enrollment.

Finally, although Federal law allows coordination of benefits under a premium assistance subsidy program in certain situations, Alabama did not elect this provision in its State plan and did not provide adequate documentation to support its position that CMS approved the coordination of benefits.

APPENDIXES

APPENDIX A: SAMPLE DESIGN AND METHODOLOGY

POPULATION

The population consisted of Alabama Children's Health Insurance Program (CHIP) payments made for services received by individuals during a month in which they were also enrolled in the Alabama Medicaid Program (concurrently enrolled months) for the period October 1, 2009, through September 30, 2010.

SAMPLING FRAME

We obtained a database of all CHIP payments made for services received by individuals during the period October 1, 2009, through September 30, 2010. We also obtained a database of all individuals enrolled in Medicaid for the same period from the Medicaid Statistical Information System. We matched the CHIP data with the Medicaid data to create a database of concurrent enrollees. Based on this match, there were 1,908 monthly CHIP payments made for services received by individuals during concurrently enrolled months. We removed 160 monthly CHIP payments that were less than \$36. This resulted in a sample frame of 1,748 concurrently enrolled months with CHIP payments totaling \$2,120,991.

SAMPLE UNIT

The sample unit was a beneficiary-month in which an individual was enrolled in Medicaid and CHIP payments were made for services received during the same month (concurrently enrolled months).

SAMPLE DESIGN

We used a stratified sample.

Stratum	Range	Number of Items	CHIP Payments
1	\$36 – \$1,000.99	1,540	\$396,516
2	1,001 – 10,000.99	170	525,916
3	10,001 – 110,710	38	1,198,559
	Total	1,748	\$2,120,991

SAMPLE SIZE

We selected a sample of 138 concurrently enrolled months.

SOURCE OF THE RANDOM NUMBERS

We generated the random numbers using Office of Inspector General, Office of Audit Services (OIG/OAS), statistical software.

METHOD OF SELECTING SAMPLE ITEMS

We consecutively numbered the sample items in strata 1 and 2 from 1 to 1,540 and 1,541 to 1,710, respectively. After generating 50 random numbers for each stratum, we selected the corresponding frame items. We selected all 38 items in stratum 3.

ESTIMATION METHODOLOGY

We used OIG/OAS statistical software to estimate the amount of improper CHIP payments in the sample frame.

APPENDIX B: SAMPLE RESULTS AND ESTIMATES

Stratum	Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Claims With Errors	Overpayments (Federal Share)
1	1,540	\$396,516	50	\$15,530	45	\$10,780
2	170	525,916	50	151,387	49	112,197
3	38	1,198,559	38	1,198,559	37	923,308
Total	1,748	\$2,120,991	138	\$1,365,476	131	\$1,046,285

Estimates of Overpayments
(Limits Calculated for a 90-Percent Confidence Interval)

	<u>Federal Share</u>
Point estimate	\$1,636,811
Lower limit	1,547,357
Upper limit	1,726,265



STATE OF ALABAMA DEPARTMENT OF
PUBLIC HEALTH

Donald E. Williamson, MD
State Health Officer

June 28, 2012

Ms. Lori S. Pilcher
Regional Inspector General
for Audit Services
Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

Dear Ms. Pilcher:

RE: Office of Inspector General Audit Report Number A-04-11-08008

This letter serves to provide the response of the Alabama Department of Public Health (ADPH) to the recommendations contained within the draft report from the Office of the Inspector General (OIG) entitled *Alabama Improperly Claimed Federal Funds for Children's Health Insurance Program Enrollees Who Had Medicaid or Other Health Insurance Coverage*. As instructed in your letter dated May 30, 2012, ADPH is providing a statement of concurrence or non-concurrence for each of the four recommendations made within the draft report. For each non-concurrence, specific reasons are provided and where appropriate, potential options for alternative plans or actions to be taken are noted.

- **OIG Recommendation 1:** Refund \$1,547,357 for individuals concurrently enrolled in the Children's Health Insurance Program (CHIP) and Medicaid.

ADPH Comment: The ADPH does not concur with the OIG recommendation that Alabama (AL) CHIP should refund \$1,547,357 for individuals concurrently enrolled in AL CHIP and Medicaid. The reasons supporting non-concurrence include:

1. For a majority of cases cited in the report, AL CHIP correctly determined eligibility at the point in time when the application was reviewed and provided coverage to individuals according to program policy and the AL CHIP State Plan. In only two of the 138 cases did AL CHIP provide coverage in error (representing less than two percent of the cases sampled). Policies allowing

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retroactive coverage for Medicaid and SSI contributed to almost 95 percent of the errors found to have dual enrollment in this audit. About three percent of the cases were due to children being placed in foster care.

2. In the last federally-required Payment Error Rate Measurement (PERM) audit of AL CHIP, similar cases of concurrent enrollment in AL CHIP and Medicaid were discovered by federal auditors who determined these cases not to be in error. While these cases were not deemed as errors, AL CHIP proactively coordinated with the Alabama Medicaid Agency to conduct routine matches to identify cases of concurrent coverage and also put policies in place to cancel dual coverage once identified at a time most consistent with AL CHIP cancellation practices, while not violating conditions of the AL CHIP State Plan or the provision for providing notice to participants regarding termination of coverage.

- **OIG Recommendation 2:** Refund \$152,602 for individuals enrolled in CHIP who had other insurance.

ADPH Comment: The ADPH does not concur with this recommendation to refund \$152,602 for individuals enrolled in CHIP who had other insurance. For these cases, other insurance was obtained after enrollment in CHIP began. The specific reason for non-concurrence with this recommendation is that termination of coverage for these individuals would be in violation of the AL CHIP State Plan. The AL CHIP State Plan provides for 12-months continuous coverage. Reasons for terminating coverage during the coverage period, as defined in the State Plan, are for a child moving out-of-state or aging out of the program (turning 19 years of age). AL CHIP has had coordination of benefits with the claims vendor in place since the beginning of the program. Prior to January 2008, the coordination of benefits was such that AL CHIP paid primary. Following conversations with CMS for guidance on this matter and effective January 2008, AL CHIP began having the claims vendor coordinate benefits to allow AL CHIP to be the payor of last resort as a cost-savings measure.

- **OIG Recommendation 3:** Develop additional policies and procedures to prevent or promptly recoup CHIP payments for individuals identified as enrolled concurrently in Medicaid.

ADPH Comment: The ADPH does not concur with this recommendation. The specific reason for non-concurrence is that AL CHIP has procedures in place to identify dual enrollment due to retroactive coverage policies with Medicaid and SSI. When dual enrollment is identified, termination of coverage is provided based

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on current business practices. One primary reason contributing to concurrent enrollment is the overlap in coverage when a child is transitioning from AL CHIP to Medicaid. An alternate plan of recommendation to reduce the prevalence of concurrent coverage in these instances is to provide training for Medicaid Eligibility Workers to better understand when the AL CHIP coverage period ends and when Medicaid coverage is to begin. AL CHIP will work with the Alabama Medicaid Agency to develop and implement such staff training.

- **OIG Recommendation 4:** Revise the current policy that allows for coordination of benefits.

ADPH Comment: ADPH does not concur with this recommendation to revise the current policy that allows for coordination of benefits because CMS has provided verbal approval to coordinate benefits in this manner. Additionally, AL CHIP does recognize some cost-savings through the coordination of benefits. If OIG is suggesting children obtaining other insurance during the 12-month coverage period be terminated, this is not permissible under the purview of the AL CHIP State Plan. AL CHIP may consider submitting to CMS an amendment to the State Plan to allow for termination of children receiving other insurance during the 12-month coverage period; however, this action may violate maintenance of effort provisions of the Affordable Care Act.

Please contact Cathy Caldwell at (334) 206-5568 if you have any questions regarding the comments noted above.

Sincerely,

Donald E. Williamson, M.D.
State Health Officer

DEW/VB/DB