

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Supra</i>	DATE <i>2-24-14</i>
--------------------	------------------------

DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000293</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Tjock, Kost</i> <i>Cleared 3/14/14/e-mail</i> <i>response attached.</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>3-5-14</i>
	<input type="checkbox"/> FOIA DATE DUE _____
	<input type="checkbox"/> Necessary Action

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			
4.			



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION IV
61 FORSYTH STREET, SW, SUITE 3T41
ATLANTA, GA 30303

February 20, 2014

Report Number: A-04-14-00096

Mr. Anthony E. Keck
Director
South Carolina Department of Health & Human Services
P.O. Box 8206
Columbia, SC 29202

RECEIVED

FEB 24 2014

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Mr. Keck:

The U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services is conducting audits regarding the methods States use to adjust claims processed through the Medicaid Management Information System (MMIS) and their subsequent claiming of these adjustments on the Quarterly Medicaid Statement of Expenditures for the Medicaid Assistance Program (Form CMS-64).

As part of our audit, we are surveying States to determine the methods used to perform these tasks. Accordingly, we are requesting you answer the following 3 questions:

- 1) When adjusting claims processed through your MMIS, do you adjust only the claim lines requiring adjustment or do you adjust the entire claim?
- 2) How do you claim these adjustments on the Form CMS-64? Specifically, do you claim adjustments on Line 6 "Expenditures In This Quarter," Line 7 "Adjustments Increasing Claims For Prior Quarters," or Line 10 "Adjustments Decreasing Claims For Prior Quarters" of the Form CMS-64? Please use the examples in the enclosure to provide a detailed response.
- 3) What was the total number of claims processed and paid from January 1, 2009, through December 31, 2012?

OIG performs independent reviews of HHS programs and operations pursuant to the Inspector General Act of 1978, 5 U.S.C. App. § 4(a)(1). Medicaid providers of services, under the authority contained in section 1902(a)(27) of the Social Security Act, must provide such information as the Secretary of HHS or the appropriate State agency requests regarding payments claimed for services.

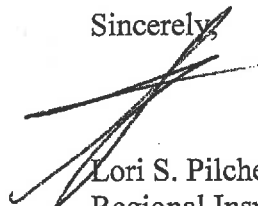
Under the health information privacy regulation that implements the Health Insurance Portability and Accountability Act of 1996, providing the information requested by this letter is a permitted disclosure because it (1) is “required by law” to be produced to OIG as part of your participation in a Government benefits program (45 CFR §§ 164.512(a) and 164.103) and (2) will be used for “health oversight” activities by OIG, which meets the definition of a “health oversight agency” (45 CFR §§ 164.512(d) and 164.501).

If you wish to submit any audit information to OIG over the Internet, we request that you use the HHS/OIG Delivery Server, **not** email or attachments to email. Information transmitted through the HHS/OIG Delivery Server complies with Federal Information Processing Standard (FIPS) 140-2, *Security Requirements for Cryptographic Module*. For instructions on how to use the HHS/OIG Delivery Server, please contact Pretrinia Martin, Senior Auditor, at (404) 562-7756 when you are ready to provide the requested information.

If you prefer, please mail your response to Pretrinia Martin at the office address shown at the top of the first page or with the enclosed business reply envelope within 10 business days from the receipt of this letter. Please provide in your response a person whom we may contact, if needed, for further information after we review your documentation.

If you have any questions or concerns regarding this survey, please contact Pretrinia Martin or Eric Bowen, Audit Manager, at (404) 562-7789. We appreciate your cooperation in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lori S. Pilcher', written over the printed name.

Lori S. Pilcher
Regional Inspector General
for Audit Services

Enclosure

CLAIM ADJUSTMENT EXAMPLES

Example 1: Original claim Claim is received for \$500		
Example 2: Decreasing adjustment Original claim for \$500 is adjusted in a later quarter to \$300 for a decrease of \$200		
Example 3: Increasing adjustment Original claim for \$500 is adjusted in a later quarter to \$900 for an increase of \$400		
Please fill in the lines below with the appropriate dollar amounts from the scenarios shown above:		
Example 1	Line 6 Expenditures In This Quarter	\$
	Line 7 Adjustments Increasing Claims For Prior Quarters	\$
	Line 10 Adjustments Decreasing Claims For Prior Quarters	\$
Example 2	Line 6 Expenditures In This Quarter	\$
	Line 7 Adjustments Increasing Claims For Prior Quarters	\$
	Line 10 Adjustments Decreasing Claims For Prior Quarters	\$
Example 3	Line 6 Expenditures In This Quarter	\$
	Line 7 Adjustments Increasing Claims For Prior Quarters	\$
	Line 10 Adjustments Decreasing Claims For Prior Quarters	\$

Name and Title of Person Completing Form: _____

Date: _____

CLAIMS PROCESSED AND PAID

Period	Number of Claims Processed	Total Amount Paid
2009 – January 1 – December 31		
2010 – January 1 – December 31		
2011 – January 1 – December 31		
2012 – January 1 – December 31		
TOTAL		

Jan Polatty

To Close - Log #293

To: Martin, Pretrinia M (OIG/OAS)
Subject: RE: A-04-14-00096 Survey of Methods Used to Adjust Claims Processed Through the MMIS
Attachments: Additional feedback to A-04-14-00096 Survey of Methods 3-19-2014.pdf

Hi Ms. Martin,

Please see attached in response to the additional questions sent to us on 3/14/2014 via email. Thanks, Jan.

Jan Polatty

Executive Assistant

POLATTYJ@scdhhs.gov

803.898.2504

cell: 803-351-6126

1801 Main Street

Columbia, SC - 29201

www.scdhhs.gov



* Additional Info attached.

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From: Martin, Pretrinia M (OIG/OAS) [<mailto:Pretrinia.Martin@oig.hhs.gov>]

Sent: Friday, March 14, 2014 11:08 AM

To: Jan Polatty

Subject: A-04-14-00096 Survey of Methods Used to Adjust Claims Processed Through the MMIS

Hi Jan

Thank you for your response to our survey letter regarding the methods States use to adjust claims processed through the Medicaid Management Information System (MMIS) and their subsequent claiming of these adjustments on the Quarterly Medicaid Statement of Expenditures for the Medicaid Assistance Program (Form CMS-64). I have a couple of additional questions regarding our survey.

1. The State Medicaid Manual §2560.4(G)(a)(1) states that public providers are those that are owned or operated by a State, county, city or other local government agency or instrumentality. In this regard, is there a difference between the methodology used to report private and public provider claim adjustments on the CMS 64?
2. For the period October 1, 2008 to the present, did the State agency use the same methodology indicated in the March 12 response when reporting claim adjustments on the CMS-64? If no, could you please explain the methodology using the examples previously provided and indicate the period that methodology was used.

3. Did the State use a contractor such as HP or Xerox to develop the Medicaid claims processing system "MMIS"? If so, what was the name of the contractor? If not, did the State develop the system in house?
4. Does the State use a contractor, such as HP or Xerox to process Medicaid claims? If so, which contractor?
5. If the State does use a contractor, was the same one used to process claims from October 1, 2008 to the present? If not, indicate each contractor and timeframe the State used them.
6. Are there any exceptions for reporting claim adjustments on the CMS-64 differently than what was indicated on the completed attachment to the OIG letter? For example, does the State report adjustments for waiver claims differently than non-waiver claims? If there are any exceptions, please indicate which line(s) on the CMS-64 the adjustment is reported and what \$ amount(s) is reported. Use the examples previously provided to illustrate the methodology used to report any exception.

Please contact me with any questions.

Thank you

Pretrinia Martin, CGFM, CFE
Senior Auditor
DHHS/OIG/OAS
Sam Nunn Atlanta Federal Center
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Atlanta, GA 30303
Voice (404) 562-7756
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March 19, 2014

Department of Health and Human Services
Office of Inspector General
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

Dear Office of Inspector General,

The enclosed are in response to the additional inquiries made to South Carolina Department of Health and Human Services regarding the auditing of the methods that South Carolina uses to adjust claims processed through the Medicaid Management Information System (MMIS) and the subsequent claiming of these adjustments on the Quarterly Medicaid Statement of Expenditures for the Medicaid Assistance Program (Form CMS-64). The following six survey questions were posed to South Carolina have been responded to below.

1. The State Medicaid Manual §2560.4(G)(a)(1) states that public providers are those that are owned or operated by a State, county, city or other local government agency or instrumentality. In this regard, is there a difference between the methodology used to report private and public provider claim adjustments on the CMS 64?

Answer: No, there is no difference in methodology.

2. For the period October 1, 2008 to the present, did the State agency use the same methodology indicated in the March 12 response when reporting claim adjustments on the CMS-64? If no, could you please explain the methodology using the examples previously provided and indicate the period that methodology was used?

Answer: Yes.

3. Did the State use a contractor such as HP or Xerox to develop the Medicaid claims processing system "MMIS"? If so, what was the name of the contractor? If not, did the State develop the system in house?

Answer: South Carolina's MMIS was implemented, and is currently maintained, by Clemson University as a partnership among state agencies. The South Carolina MMIS is based on a transfer of the Consultec MMIS code from the State of Minnesota.

4. Does the State use a contractor, such as HP or Xerox to process Medicaid claims? If so, which contractor?

Answer: South Carolina's MMIS is operated by Clemson University and the MMIS is used to process claims. South Carolina also contracts with Blue Cross Blue Shield of South Carolina for a number of claims operations functions.

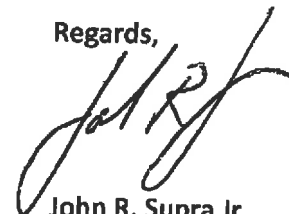
5. If the State does use a contractor, was the same one used to process claims from October 1, 2008 to the present? If not, indicate each contractor and timeframe the State used them.

Answer: South Carolina has not changed MMIS and claims processing or operations contractors since October 1, 2008.

6. Are there any exceptions for reporting claim adjustments on the CMS-64 differently than what was indicated on the completed attachment to the OIG letter? For example, does the State report adjustments for waiver claims differently than non-waiver claims? If there are any exceptions, please indicate which line(s) on the CMS-64 the adjustment is reported and what \$ amount(s) is reported. Use the examples previously provided to illustrate the methodology used to report any exception.

Answer: There are no exceptions for claim adjustments reporting.

Regards,



John R. Supra Jr.
Deputy Director

Jan Polatty

~~Monday~~ Wednesday

From: Martin, Pretrinia M (OIG/OAS) <Pretrinia.Martin@oig.hhs.gov>
Sent: Friday, March 14, 2014 11:08 AM
To: Jan Polatty
Subject: A-04-14-00096 Survey of Methods Used to Adjust Claims Processed Through the MMIS
Attachments: A-04-14-00096 Survey

Hi Jan

Thank you for your response to our survey letter regarding the methods States use to adjust claims processed through the Medicaid Management Information System (MMIS) and their subsequent claiming of these adjustments on the Quarterly Medicaid Statement of Expenditures for the Medicaid Assistance Program (Form CMS-64). I have a couple of additional questions regarding our survey.

1. The State Medicaid Manual §2560.4(G)(a)(1) states that public providers are those that are owned or operated by a State, county, city or other local government agency or instrumentality. In this regard, is there a difference between the methodology used to report private and public provider claim adjustments on the CMS 64?
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Please contact me with any questions.

Thank you

*Pretrinia Martin, CGFM, CFE
Senior Auditor
DHHS/OIG/OAS
Sam Nunn Atlanta Federal Center
61 Forsyth St. SW Suite 3T41
Atlanta, GA 30303*

Voice (404) 562-7756
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E-mail pretrinia.martin@oig.hhs.gov

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Jan Polatty

To: John Supra
Cc: Tamara McDaniel
Subject: Additional questions.....FW: A-04-14-00096 Survey of Methods Used to Adjust Claims Processed Through the MMIS
Attachments: A-04-14-00096 Survey
Importance: High

*Additional ?s for Log 293
Forwarded to Supra 3/14/14*

John, please see below – additional questions for response.

From: Martin, Pretrinia M (OIG/OAS) [<mailto:Pretrinia.Martin@oig.hhs.gov>]
Sent: Friday, March 14, 2014 11:08 AM
To: Jan Polatty
Subject: A-04-14-00096 Survey of Methods Used to Adjust Claims Processed Through the MMIS

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Thank you

Pretrinia Martin, CGFM, CFE
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Jan Polatty

From: Martin, Pretrinia M (OIG/OAS) <Pretrinia.Martin@oig.hhs.gov>
Sent: Friday, March 14, 2014 11:08 AM
To: Jan Polatty
Subject: A-04-14-00096 Survey of Methods Used to Adjust Claims Processed Through the MMIS
Attachments: A-04-14-00096 Survey

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Please contact me with any questions.

Thank you

*Pretrinia Martin, CGFM, CFE
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DHHS/OIG/OAS
Sam Nunn Atlanta Federal Center
61 Forsyth St. SW Suite 3T41
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Jan Polatty

To: Martin, Pretrinia M (OIG/OAS)
Cc: John Supra
Subject: RE: Follow-up to A-04-14-00096 Survey of Methods Used to Adjust Claims Processed Through the MMIS
Attachments: SC Response to Auditing Methods.pdf

Log 293 to close -

Good morning Ms. Martin.

I've attached SC's response to your request of 2/20/2014. Please let us know if you need anything further.

Have a great day, Jan.

Jan Polatty

Executive Assistant
POLATTYJ@scdhhs.gov
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cell: 803-351-6126
1801 Main Street
Columbia, SC - 29201
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From: Martin, Pretrinia M (OIG/OAS) [<mailto:Pretrinia.Martin@oig.hhs.gov>]
Sent: Monday, March 10, 2014 1:01 PM
To: Anthony Keck; Jan Polatty
Subject: Follow-up to A-04-14-00096 Survey of Methods Used to Adjust Claims Processed Through the MMIS

Good Afternoon

On 2/20/2014, a survey letter was emailed to you regarding "the methods States use to adjust claims processed through the MMIS and their subsequent claiming of these adjustments on the Quarterly Medicaid Statement of Expenditures for the Medicaid Assistance Program (Form CMS-64)" (See attached). In the letter we requested a response within 10 business days from the receipt of the letter. Could you please provide me with a status on when you will be providing the information we requested in the survey letter?

Thanks

Pretrinia Martin, CGFM, CFE
Senior Auditor
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Department of Health and Human Services
Office of Inspector General
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

March 12, 2014

Dear Office of Inspector General,

The enclosed are in response to the inquiries made to South Carolina Department of Health and Human Services regarding the auditing of the methods that South Carolina uses to adjust claims processed through the Medicaid Management Information System (MMIS) and the subsequent claiming of these adjustments on the Quarterly Medicaid Statement of Expenditures for the Medicaid Assistance Program (Form CMS-64). The following three survey questions were posed to South Carolina have been responded to below.

Question 1. *When adjusting claims processed through your MMIS, do you adjust only the claim lines requiring adjustment or do you adjust the entire claim?*

Answer: When adjusting claims processed through the MMIS, the entire claim is adjusted.

Question 2. *How do you claim these adjustments on the Form CMS-64? Specifically, do you claim adjustments on Line 6 "Expenditures In This Quarter," Line 7 "Adjustments Increasing Claims For Prior Quarters," or Line 10 "Adjustments Decreasing Claims For Prior Quarters" of the Form CMS-64? Please use the examples in the enclosure to provide a detailed response.*

Answer: South Carolina provides a "Void/Replace" process for its providers to adjust claims. The financial impact of these adjustments is passed on to the Accounting System, from which the CMS 64 Expenditure Report derives its financial date, as either "Refunds of Expenditures" or "New Expenditures". Refunds of Expenditures are reportable as a "Line 9" entry on the CMS 64 report.

With regard to examples 2 and 3 requested in the survey, the following explanation would be applicable (see Attachment 1 for examples format):

Example 2 – Decreasing Adjustment

The provider would submit a “void” claim to reduce his filing for the value of the \$200.00 he was originally paid. That “void” claim is recognized in the Accounting System as a refund of expenditure and is reported on Line 9 as a collection on the CMS 64 Report. No amount would be reported for the reduced claim of \$300.00.

Example 3- Increasing Adjustment

Again the provider would submit a “void” claim for the original amount (\$500.00) and process a “replacement” claim for the new amount of \$900.00. The \$900.00 would be reported as a Line 6 expenditures in the quarter the replacement claim was adjudicated and the \$500.00 would be reported on Line 9 as collection

Question 3. *What was the total number of claims processed and paid from January 1, 2009, through December 31, 2012?*

Answer: Please see chart below for data (recreated Enclosure 2)

CLAIMS PROCESSED AND PAID

Period	Number of Claims Processed	Total Amount Paid
2009- January 1- December 31	29,766,790	\$5,160,466,420.98
2010- January 1- December 31	32,401,030	\$5,548,980,976.30
2011- January 1- December 31	24,794,131	\$5,221,342,133.37
2012- January 1- December 31	23,222,045	\$5,196,547,000.55
TOTAL	110,183,996	\$21,127,336,531.20

If you have any further questions or require additional clarifications, please do not hesitate to contact me at 803.898.2502 or via email to <supra@scdhhs.gov>.

Regards,



John R. Supra Jr.
Deputy Director