

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Mells</i>	DATE <i>6-10-08</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000648</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Ms. Forkner, Depa, Jacobs</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
	<input type="checkbox"/> FOIA DATE DUE _____
	<input checked="" 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.			

From: "Decaro, Teresa L. (CMS/CBC)" <Teresa.Decaro@cms.hhs.gov>
To: <forkner@scd.hhs.gov>, <polatty@scd.hhs.gov>
CC: "Halter, Mark D. (CMS/MC)" <Mark.Halter@cms.hhs.gov>, "Wigfall, Cheryl (...
Date: 6/5/2008 7:05 PM
Subject: guidance on timely filing of expenditure /budget reports
Attachments: Timely Filing.SC.pdf

Hi Emma. We are also mailing this to you.

Teresa DeCaro, RN, M.S.

Acting Associate Regional Administrator of Medicaid

Atlanta Regional Office

Centers for Medicare and Medicaid Services

404-562-7359

teresa.decaro@cms.hhs.gov

Brenda -

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original by this.*

Log to Melly

*C: Depy
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Shirley

Department of Health & Human Services
Centers for Medicare & Medicaid Services
61 Forsyth St., Suite 4T20
Atlanta, Georgia 30303-8909



June 5, 2008

Emma Forkner, Director
South Carolina Department of Health and & Human Services
P. O. Box 8206
Columbia, SC 29202-8206

Subject: Timely filing of the Medicaid and SCHIP expenditure and budget reports

I am writing to request your assistance to improve the timeliness of required quarterly State filings of budget and expenditure reports for the Medicaid program and State Children's Health Insurance Program (SCHIP).

The Centers for Medicare and Medicaid Services (CMS) has been criticized in recent internal and external audits for late State filings of financial reports. The late filings of budget and expenditure reports have been cited as a reportable condition for their potential adverse impact on funds flow, control, and accountability. Late submissions in turn impact the availability of actual historical baseline amounts necessary to accurately estimate current and future cash needs. Final reconciliations of grant awards to actual expenditures are also delayed with resultant increased risks associated with potential excessive letter of credit balances.

Federal regulations at 42 CFR 430.30(b) and 42 CFR 457.630(b) require that the CMS-37 (formerly CMS-25) and CMS-21b budget reports for Medicaid and SCHIP, respectively, be submitted 45 days before the beginning of each quarter. Medicaid CMS-64 and SCHIP CMS-21 expenditure reports are required to be submitted no later than 30 days after the end of each quarter in accordance with 42 CFR 430.30(c) and 42 CFR 457.630(b), respectively.

An analysis of State submission dates for the CMS-64 Medicaid expenditure reports for Federal fiscal years 2005, 2006, and 2007 revealed that generally only 35 to 45 percent of States were certifying reports by the required 30th day deadline. During one quarter only 26 percent of States had initially filed timely. The submission data also revealed that many States modified their expenditure reports multiple times after initial certifications. When recertification dates were considered in looking at timeliness of CMS-64 filings over the same three year period, generally only five to ten percent of State's final expenditure reports were certified by the 30th day deadline. Generally more than half of the final certified expenditure reports were at least 30 days late and it was not unusual for some states to be three or four or more months late.

While there can be valid reasons for modifying a previously certified expenditure report, routine or immaterial changes should be reported as prior period adjustments on subsequent reports. CMS analysis of amended reports disclosed that many times the change effected by modifying and recertifying a report was immaterial when compared to the overall claims. It was also evident that many states were routinely certifying incomplete initial reports.

Emma Forkner, Director
June 5, 2008
Page 2

We encourage you and your staff to place the highest priority on filing Federal financial reports accurately and on time. You should identify accounting, personnel, or other reasons for chronic late or inaccurate submissions and take appropriate corrective actions.

CMS will also take steps to encourage the timeliness and accuracy of quarterly financial reports for Medicaid and SCHIP. In the event that a State does not submit budget and expenditure reports timely, the CMS Regional Office (RO) will contact State staff and officials at designated milestones. Contacts will be at higher authority levels as the tardiness increases. Attachment A to this letter details the required future contacts.

Additionally, once an expenditure report is certified in MBES/CBES, the certified report will be moved to the master file to prohibit additional adjustments. If a State unilaterally requests to amend a previously certified expenditure report, the request must be in writing to the CMS Regional Office. An e-mail is acceptable. Attachment B lists examples of acceptable reasons for unlocking a previously certified report. Correction of immaterial errors, omissions or routine adjustments, as well as reporting errors with no FFP effect should be completed as prior period adjustments on the next quarterly report.

We look forward to working with you and your staff to improve the timeliness and accuracy of all required quarterly financial reports for Medicaid and SCHIP. Should you have any questions regarding this matter, please contact Mr. Mark Halter, Acting Financial Management Branch Chief, at (404) 562-7419.

Sincerely,



Teresa DeCaro, RN, M.S.
Acting Associate Regional Administrator
Division of Medicaid & Children's Health Operations

ATTACHMENT A

Required contacts on late Budget report (CMS-37 & CMS-21b) submissions:

<u>Number of Days Late</u>	<u>Required Action(s)</u>
1	If the CMS-37 budget report is not filed by the deadline, the RO analyst should make informal contact with responsible State staff the next business day. A phone call or an e-mail is acceptable. The frequency and mode of follow-up contact is at the discretion of the RO analyst during the next 10 days.
10	If the budget report has not been certified by the 10 th day after the deadline, the RO analyst should follow-up in writing with responsible State staff. An e-mail is acceptable.
20	If the budget report has not been certified by the 20 th day after the deadline, the RO Branch Chief should contact the State agency's Chief Financial Officer or other designated budget reporting official. A phone call or an e-mail is acceptable. The frequency and mode of follow-up contact is at the discretion of the RO Branch Chief during the next 10 days.
30	If the CMS-37 budget report has not been certified by the 30 th day after the deadline, the ARA should contact the State Medicaid Director. A phone call or an e-mail is acceptable.
40	The frequency and mode of follow-up contact is at the discretion of the ARA during the next 10 days. If the CMS-37 budget report has not been certified by the 40 th day after the deadline, the ARA should set up a meeting to discuss the issue with the Director of the Division of Financial Operations in Central Office. All subsequent follow up and actions on the late budget report will be determined on a case-by-case basis based upon this discussion and will be at the discretion of CMSO leadership.

Required contacts on late Expenditure report (CMS-64 & CMS-21) submissions:

<u>Number of Days Late</u>	<u>Required Action(s)</u>
1	If the CMS-64 expenditure report is not filed by the deadline, the RO analyst should make informal contact with responsible State staff the next business day. A phone call or an e-mail is acceptable. The frequency and mode of follow-up contact is at the discretion of the RO analyst during the next 30 days.
30	If the expenditure report has not been certified by the 30 th day after the deadline, the RO analyst should follow-up in writing with responsible State staff. An e-mail is acceptable.

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If the expenditure report has not been certified by the 45th day after the deadline, the RO Branch Chief should contact the State agency's Chief Financial Officer or other designated Medicaid financial reporting official. A phone call or e-mail is acceptable. The frequency and mode of follow-up contact is at

75

the discretion of the RO Branch Chief during the next 30 days. If the CMS-64 expenditure report has not been certified by the 75th day after the deadline, the ARA should contact the State Medicaid Director. A phone call or e-mail is acceptable. The frequency and mode of follow-up contact is at the discretion of the ARA during the next 15 days.

90

If the CMS-64 expenditure report has not been certified by the 90th day after the deadline, the ARA should schedule a teleconference to discuss the issue with the Director of the Division of Financial Operations in Central Office. All subsequent follow up and actions on the late expenditure report will be determined on a case-by-case basis based upon this discussion and will be at the discretion of CMSO leadership.

ATTACHMENT B

Acceptable Reasons to Un-certify and Amend a CMS-64 or CMS-21 Report

If the State unilaterally requests to amend a previously certified expenditure report, the request must be in writing (e-mail is acceptable). Un-certifying, revising, and re-certifying the report is permitted if the documented reason(s) is in accordance with the following guidelines:

a. The error or omission must be material. Material adjustments are defined as greater than:

- 2 % of Line 11, CMS-64 Medicaid MAP
- 5 % of Line 11, CMS-64 Medicaid ADM
- 5% of Line 4, CMS-21

Or

b. The adjustment is related to a designated significant issue defined as:

- Claims exceeding expenditure allotments or caps.
- Claims affecting final budget neutrality or cost effectiveness of a waiver (e.g. – last reporting quarter of an existing waiver).
- Expenditures erroneously claimed under a pending SPA.

Or

c. The adjustment **decreases** FFP claims. Such adjustments may include:

- State-initiated decreasing adjustments or credits.
- Required recoveries from audits, FMRS, deferrals, disallowances, etc.

Correction of immaterial errors, omissions or routine adjustments, as well as reporting errors with no FFP effect should be completed as prior period adjustments on the next quarterly report.

Department of Health & Human Services
Centers for Medicare & Medicaid Services
61 Forsyth St., Suite 4T20
Atlanta, Georgia 30303-8909



June 5, 2008

RECEIVED

JUL 03 2008

Emma Forkner, Director
South Carolina Department of Health and Human Services
P. O. Box 8206
Columbia, SC 29202-8206

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Brenda -
Jan thinks we
received this
letter
Please check in
your system.
MK

Emma Forkner, Director
June 5, 2008
Page 2

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We look forward to working with you and your staff to improve the timeliness and accuracy of all required quarterly financial reports for Medicaid and SCHIP. Should you have any questions regarding this matter, please contact Mr. Mark Halter, Acting Financial Management Branch Chief, at (404) 562-7419.

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