

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO <i>Wells</i>	DATE <i>12-28-07</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000310</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>Mr. [Signature] [Signature]</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
	<input type="checkbox"/> FOIA DATE DUE _____
	<input checked="" type="checkbox"/> Necessary Action

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

Department of Health & Human Services
Centers for Medicare & Medicaid Services
Division of Medicaid & Children's Health Operations
61 Forsyth St, Suite: 4120
Atlanta, Georgia 30303-8909



REPORT NUMBER: 04-FS-2006-SC-03

December 19, 2007

RECEIVED

DEC 27 2007

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

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Ms. Forkner:

The attached report provides the results of our Financial Management Review (FMR) of the expenditures reported by the State of South Carolina for Federal reimbursement through the Hurricane Katrina 1115 demonstration. The purpose of the FMR was to determine whether the State of South Carolina complied with Federal regulations and guidelines inclusive of the special terms and conditions in reporting expenditures claimed for Federal reimbursement for Hurricane Katrina evacuees for the fiscal quarters beginning October 1, 2005 through June 30, 2006 and updated to reflect any changes through quarter ending June 30, 2007.

We concluded that the State of South Carolina was in compliance with Federal regulations and CMS directives in reporting Katrina expenditures. No further action is recommended. However, the Regional Office will continue to monitor these expenditures as part of the quarterly CMS-64 review for future quarters. Please safeguard the report against unauthorized use. The report is considered final.

To facilitate identification, please refer to Report Number 04-FS-2006-SC-03 in any correspondence related to this report. If you have any questions or need additional information, please contact Cheryl Wigfall at (803) 252-7172, CMS-South Carolina Funding Specialist, or Joyce Wilkerson, Acting Manager, Financial and Program Operations Branch-North, at (404) 562-7426.

Sincerely,


for Jay Gavens
Acting Associate Regional Administrator

Enclosure

**Review of Hurricane Katrina 1115 Demonstration for the State of
South Carolina**

Federal Fiscal Year 2006

Control Number 04-FS-2006-SC-03

Date Issued: December 19, 2007



Prepared by:
Columbia, South Carolina
Financial & Program Operations Branch - North
Division of Medicaid and Children's Health Operations
Atlanta Regional Office

SUMMARY OF FINDINGS AND RECOMMENDATIONS

We concluded that the State of South Carolina was in compliance with Federal regulations and CMS directives in reporting Katrina expenditures. No further action is recommended. However, the Regional Office will continue to monitor these expenditures as part of the quarterly CMS-64 review for future quarters.

BACKGROUND

Medicaid Program

Title XIX of the Social Security Act was enacted in 1965 to provide Federal grants to state for the Medicaid program. The Medicaid program is a matching Federal and State entitlement program that pays for medical assistance to low income families, elderly individuals, and persons with disabilities. Medicaid is the largest source of funding for medical and health-related services for America's poorest people. The Social Security Act authorizes multiple waiver and demonstration authorities to allow states flexibility in operating the Medicaid programs. While a state has considerable flexibility in designing its State Plan, it must comply with Federal requirements specified in the Medicaid statute, regulations, and program guidance.

Within broad national guidelines established by Federal statutes, regulations, and policies, each State:

- establishes its own eligibility standards;
- determines the type, amount, duration, and scope of services;
- sets the rate of payment for services; and
- administers its own program.

South Carolina's Hurricane Katrina 1115 Demonstration

On October 21, 2005, South Carolina's 1115 Hurricane Katrina demonstration was approved with an implementation date of August 24, 2005 and an ending date of June 30, 2006. Under the authority of section 1115(a)(1) of the Social Security Act (the Act), the following waivers of Medicaid State plan and the SCHIP State plan requirements contained in sections 1902, 2105, and 2108 of the Act were granted to enable South Carolina to carry out this 1115 demonstration. This 1115 Hurricane Katrina demonstration authorized the provisions of coverage of Medicaid and SCHIP to evacuees in the State of South Carolina who had been displaced as a result of Hurricane Katrina.

This demonstration allowed for the establishment of expedited Medicaid/SCHIP eligibility for new applicants in the time of a natural disaster and a period of eligibility for up to five months

was provided for these eligible groups, which were designated as evacuees under this demonstration. An "evacuee" is considered to be an individual who was a resident of the emergency area affected by a national disaster as declared by the President of the United States pursuant to the National Emergencies Act or by the Robert T. Stafford Disaster Relief and Emergency Assistance Act, and had been displaced from or within his or her home State, and was not a non-qualified alien.

Under this demonstration, South Carolina provided services through its programs to evacuees who fit into the demonstration population consisting of parents, pregnant women, children under age 19, individuals with disabilities, low-income Medicare recipients, and qualifying low-income individuals in need of long-term care. A period of eligibility for up to five months was provided for all eligible groups who were evacuees. Neither the host state nor the home state was obligated to redetermine eligibility before the termination of the temporary period. No application for evacuee status could be accepted after January 31, 2006.

Additional guidelines were issued for the reporting of the Hurricane Katrina related expenditures. South Carolina reported the expenditures related to the demonstration on the quarterly expenditure report Form CMS-64. According to CMS' guidelines, South Carolina was required to identify and claim the Katrina evacuee expenditures, based on the evacuees' home state.

CMS' guidelines also allowed for an uncompensated care pool (UCCP) and the coverage of applicable administrative costs. The State was given approval to claim administrative expenditures associated with administering the Hurricane Katrina demonstration project, as well as approval to claim medical and administrative Hurricane Katrina UCCP expenditures. According to South Carolina's special terms and conditions of this UCCP, the State was allowed to reimburse providers for services delivered to certain Hurricane Katrina evacuees between August 24, 2005, and January 31, 2006. This special approval for UCCP was given for individuals who were without private insurance, Medicare, Medicaid, or other insurance coverage on the date of service. In order to receive services, individuals had to be evacuees from one of the designated counties/parishes, and without any other health insurance coverage. Provider attestation was also required for reimbursement from the pool. CMS also requested that all Hurricane Katrina related expenditures be reported by the first quarter FY 2007 expenditure report.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objectives of our review were to determine whether the State of South Carolina complied with Federal regulations and guidelines inclusive of the special terms and conditions in reporting expenditures claimed for Federal reimbursement for Hurricane Katrina evacuees for the fiscal quarters beginning October 1, 2005 and ending June 30, 2006. Specifically, we determined whether South Carolina claimed the Hurricane Katrina evacuee expenditures in accordance with the CMS directive to identify the expenditures according to the evacuee's home state, to determine whether South Carolina utilized the correct Federal Matching Rate for the applicable

state, to review the State's processes to identify Hurricane Katrina evacuees from the affected states, and to review the processes established to identify and separate administrative cost related to the Hurricane Katrina 1115 demonstration.

Scope and Methodology

We reviewed the Hurricane Katrina expenditures claimed by South Carolina on the State's quarterly expenditure report Form CMS-64 for the fiscal quarters beginning October 1, 2005 through June 30, 2006 and updated through June 30, 2007. We reviewed the State's supporting records and the processes established by the State for the Hurricane Katrina demonstration. The fieldwork for this review was conducted in Columbia, South Carolina between July and September 2006 and updated September 2007.

To accomplish our objective, we:

- Reviewed Federal regulations and guidelines;
- Reviewed the special terms and conditions of South Carolina's 1115 Hurricane Katrina demonstration;
- Reviewed the process established by the State specifically for the 1115 Hurricane Katrina demonstration;
- Identified and reconciled the Katrina evacuee expenditures reported on South Carolina's quarterly Form CMS-64 for the fiscal quarters beginning October 1, 2005 through June 30, 2006; and
- Interviewed South Carolina agency employees.

FINDINGS

The table below depicts the cumulative total computable and Federal share reported by South Carolina as of the June 30, 2006 expenditure report and updated through June 30, 2007. These quarterly expenditures were reported in accordance with CMS' directive to report the expenditures according to the evacuees' home state.

**Hurricane Katrina Expenditures
For the State of South Carolina
as Reported on the CMS-64
Cumulative as of 6/30/07**

State	MAP Total Computable	MAP Federal Share	ADM Total Computable	ADM Federal Share	UCCP ¹
Alabama	\$10,513	\$7,359	\$1,726	\$864	\$0
Louisiana	\$1,046,434	\$732,278	\$98,446	\$49,223	\$25,983
Mississippi	\$168,893	\$128,643	\$17,828	\$8,915	\$681
Total	\$1,225,840	\$868,280	\$118,000	\$59,002	\$26,664

South Carolina's established processes related to the 1115 Hurricane Katrina demonstration consisted of the following:

- Established an Application for Temporary Assistance for Katrina Evacuees form whereas evacuees seeking coverage completed and attested to the county and state prior to displacement.
- Established a distinct code for each category of recipient. For example:
 - ◆ Children under age 19 - up to and including 200% FPL was coded as "KAT1".
 - ◆ Individuals with disabilities – up to and including 300% FPL was coded as "KAT5".
- Each established category was further define by state, such as "A" - for Alabama, "L" - for Louisiana, and "M" – for Mississippi. These codes were also established in the claims processing system for identification of claims.
- Established a temporary Medicaid card labeled "Temporary Evacuee Assistance".

The above examples illustrate the processes that the State established in order to verify evacuees from the affected States, identify and track Katrina claims, and other related Katrina expenditures. We believe the state's process is adequate to identify, track and properly claim these expenditures.

The State utilized the following allocation methodology in order to allocate Hurricane Katrina Administrative Expenditures. On a quarterly basis, the State obtains the average recipient count

¹ Uncompensated Care Pool (UCCP) Federal Share is 100%.

and the total transaction count for all Medicaid recipients. The State then obtains the average Katrina recipient count and the total Katrina transaction count for each quarter. The State calculates the percent of Katrina recipient count/transaction count to the total Medicaid recipient count/total Medicaid transaction count in order to obtain the percent of Katrina recipient count/transaction count to total Medicaid recipient count/transaction count. The State utilizes these percentages to allocate the administrative cost between Hurricane Katrina and other Medicaid cost. We believe the state's allocation methodology is adequate in order to allocate Hurricane Katrina Administrative Expenditures.

RECOMMENDATIONS

No further action is required, however, the Regional Office will continue to work with the State to ensure future Katrina claims are reported properly and will continue to monitor these claims on the CMS-64 expenditure reports as part of the quarterly CMS-64 review process.