

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**NEW MEXICO DID NOT CLAIM  
\$12.4 MILLION OF \$222.6  
MILLION IN MEDICAID  
PAYMENTS FOR SERVICES  
PROVIDED BY INDIAN HEALTH  
SERVICE FACILITIES IN  
ACCORDANCE WITH FEDERAL  
AND STATE REQUIREMENTS**

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**Amy J. Frontz**  
Deputy Inspector General  
for Audit Services

March 2022  
A-06-19-09005

# *Office of Inspector General*

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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.

## Report in Brief

Date: March 2022

Report No. A-06-19-09005

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Audit

While conducting a previous audit in New Mexico, we noted that it had not conducted reconciliations of Indian Health Service (IHS) payments it made to its managed care organizations (MCOs) with actual payments those MCOs made for services provided by IHS facilities. During our exit conference for that audit, New Mexico said that it had completed the IHS reconciliations, but we did not have an opportunity to review them.

Our objective was to determine whether New Mexico claimed IHS expenditures in accordance with Federal and State requirements.

### How OIG Did This Audit

Our audit covered \$222.6 million in claimed IHS expenditures for the period July 1, 2012, through December 31, 2016 (audit period). We reviewed New Mexico's reconciliations of claimed and initial IHS expenditures with paid IHS encounter data, verified the accuracy of the IHS encounter data, and conducted a reconciliation of claimed IHS expenditures with paid IHS encounter data for services provided under New Mexico's Salud! and CoLTS waivers (its older waivers).

## New Mexico Did Not Claim \$12.4 Million of \$222.6 Million in Medicaid Payments for Services Provided by Indian Health Service Facilities in Accordance With Federal and State Requirements

### What OIG Found

New Mexico claimed \$209.4 million of \$222.6 million in IHS expenditures in accordance with Federal and State requirements. However, New Mexico claimed \$12.4 million in IHS expenditures that did not meet Federal and State requirements. Specifically, New Mexico claimed (1) \$6.2 million in unsupported expenditures under its older waivers, which New Mexico did not identify because it did not reconcile initial expenditures with IHS encounter data; (2) \$3.6 million in unsupported expenditures under its current waiver because its reconciliations did not account for encounter data adjustments; and (3) \$2.6 million in expenditures for encounter data MCOs submitted beyond the 2-year limit outlined in the MCO contracts.

Additionally, New Mexico may have claimed \$750,811 for inpatient encounter data with dates-of-service spans that did not support the number of paid inpatient days.

### What OIG Recommends and New Mexico's Comments

We recommend that New Mexico (1) refund \$12.4 million to the Federal Government, (2) work with the Centers for Medicare & Medicaid Services to determine the appropriate amount of the additional \$750,811 that it should have claimed and refund the Federal share difference, (3) establish policies and procedures to account for adjustments MCOs make to IHS encounter data after reconciliations are completed, and (4) use the entered date to determine whether the MCO submitted an encounter within the 2-year limit. See the audit report for additional recommendations.

In written comments on our draft report, New Mexico concurred with our recommendation that it use the entered date to determine whether the MCO submitted an encounter within the 2-year limit. New Mexico did not directly address any of our other recommendations but, instead, addressed each of our four findings. New Mexico concurred with our first and third findings and described actions it had taken that address those two findings. However, New Mexico did not concur with our second and fourth findings. After reviewing New Mexico's comments, we maintain that our findings and recommendations are valid.

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## INTRODUCTION

### WHY WE DID THIS AUDIT

While conducting a previous audit in New Mexico, we noted that the New Mexico Human Services Department (the State agency) had not conducted reconciliations of Indian Health Service (IHS) payments it made to its managed care organizations (MCOs) with actual payments those MCOs made for services provided by IHS facilities (i.e., IHS expenditures).<sup>1, 2</sup> During our exit conference for that audit, the State agency claimed that it had completed the IHS reconciliations, but we did not have an opportunity to review them.

### OBJECTIVE

Our objective was to determine whether the State agency claimed IHS expenditures in accordance with Federal and State requirements.

### BACKGROUND

#### Medicaid Program

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. At the State level, the State agency administers the Medicaid program.

Although the State agency has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. The Federal Government pays its share of a State's Medicaid expenditures based on the Federal Medical Assistance Percentage (FMAP). States' regular FMAPs range from a low of 50 percent to a high of 83 percent; however, States receive a 100-percent FMAP for expenditures related to services provided by IHS facilities to American Indian and Alaskan Native beneficiaries.

Within 30 days after the end of each quarter, States report expenditures and the associated Federal share on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64 report). The amounts that States report must represent actual expenditures. The State agency uses line items on the CMS-64 report to claim expenditures

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<sup>1</sup> *New Mexico Did Not Always Appropriately Refund the Federal Share of Recoveries from Managed Care Organizations (A-06-18-09001)*, issued February 2019.

<sup>2</sup> IHS expenditures are Medicaid payments the State made to MCOs for services provided by IHS facilities.

based on the type of services provided. When a State agency recovers an expenditure previously reported on the CMS-64 report, it must refund the Federal share by reporting the recovery to CMS at the FMAP used to calculate the amount it originally received.

### **Indian Health Services in New Mexico**

The State agency contracts with MCOs to make services available to beneficiaries enrolled in New Mexico's Medicaid program. From July 1, 2012, through December 31, 2013, the State agency operated its Medicaid managed care program through two waivers: the Salud! and Coordination of Long-Term Services (CoLTS) waivers. Beginning January 1, 2014, those two waivers were replaced with the State agency's current waiver, Centennial Care.

MCOs submit to the State agency encounter data, which is a collection of individual encounters that includes information about the specific services provided to each MCO's enrolled beneficiaries, including the first and last dates of the services and how much the MCO paid for the services.<sup>3</sup> The State agency then processes the encounter data using its Medicaid Management Information System (MMIS).<sup>4</sup>

Under all waivers, the State agency made payments to its MCOs based on summary reports of payments the MCOs had made for services provided by IHS facilities and initially claimed those payments on the CMS-64 report. Reconciliations of those initial payments with actual validated encounter data for services provided by IHS facilities and paid for by MCOs (IHS encounter data) were necessary to determine whether any adjustment to the CMS-64 report was required.

For calendar years (CYs) 2014 through 2016, the State agency conducted reconciliations of the initial and claimed IHS payments with paid IHS encounter data for services under its current Centennial Care waiver. However, it had not conducted reconciliations for services provided under its two older Salud! and CoLTS waivers.

### **HOW WE CONDUCTED THIS AUDIT**

Our audit covered \$222.6 million in claimed IHS expenditures for the period July 1, 2012, through December 31, 2016 (audit period). We reviewed the State agency's reconciliations of claimed and initial IHS expenditures with paid IHS encounter data, verified the accuracy of the IHS encounter data, and conducted a reconciliation of claimed IHS expenditures with paid IHS encounter data for services provided under the State agency's older waivers.

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<sup>3</sup> We refer to an individual encounter as "encounter."

<sup>4</sup> The MMIS is an integrated group of procedures and computer processing operations designed to meet Medicaid program objectives, such as processing medical claims.

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 objectives.

Appendix A contains the details of our audit scope and methodology.

## FINDINGS

The State agency claimed \$209.4 million of \$222.6 million in IHS expenditures in accordance with Federal and State requirements. However, the State agency claimed \$12.4 million in IHS expenditures that did not meet Federal and State requirements.<sup>5</sup> Specifically, the State agency claimed:

- \$6.2 million in unsupported expenditures under its two older waivers, which the State agency did not identify because it did not reconcile initial expenditures with IHS encounter data;
- \$3.6 million in unsupported expenditures under its current waiver because its reconciliations did not account for encounter data adjustments; and
- \$2.6 million in expenditures for encounter data MCOs submitted beyond the 2-year limit outlined in the MCO contracts.

Additionally, the State agency may have claimed \$750,811 for inpatient encounter data with dates-of-service spans that did not support the number of paid inpatient days.

### **THE STATE AGENCY CLAIMED UNSUPPORTED EXPENDITURES IT DID NOT IDENTIFY BECAUSE IT DID NOT PERFORM RECONCILIATIONS**

States' financial management systems must include records sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to Federal requirements.<sup>6</sup> For costs to be allowable under Federal awards, they must be reasonable and adequately documented.<sup>7</sup> The State must submit the CMS-64 report each quarter and show the disposition of Medicaid grant funds for the quarter. States are required to report actual expenditures for which their supporting documentation must be in a readily

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<sup>5</sup> The exact amount of inappropriately claimed IHS expenditures was \$12,422,181.

<sup>6</sup> 45 CFR § 75.302(a).

<sup>7</sup> 45 CFR §§ 75.403(a) and (g).

reviewable format and available immediately at the time the claim is filed on the CMS-64 report.<sup>8</sup> MCOs are required to track IHS expenditures and report it quarterly to the State agency. The quarterly IHS payments the State agency makes to MCOs are based on encounters that have been paid by the MMIS.<sup>9</sup>

The State agency claimed \$6.2 million in IHS expenditures that were not supported by encounter data.<sup>10</sup> Specifically, under its two older waivers, the State agency claimed \$45.3 million in initial IHS expenditures for the period July 1, 2012, through December 31, 2013; however, actual IHS encounter data provided by the State agency supported only \$39.1 million in expenditures.

The State agency did not identify and return the \$6.2 million Federal share it received for the unsupported IHS expenditures it claimed under its older waivers because it did not perform reconciliations of the initial payments to actual IHS encounter data. State agency officials initially believed that IHS reconciliations were not necessary for expenditures claimed under its older waivers, so the State agency did not establish reconciliation procedures for those older waivers. However, after we began our audit, a State agency official determined that reconciliations were necessary.

#### **THE STATE AGENCY CLAIMED UNSUPPORTED EXPENDITURES BECAUSE ITS RECONCILIATIONS DID NOT ACCOUNT FOR ENCOUNTER DATA ADJUSTMENTS**

States' financial management systems must include records sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to Federal requirements.<sup>11</sup> For costs to be allowable under Federal awards, they must be reasonable and adequately documented.<sup>12</sup>

The State agency must submit the CMS-64 report each quarter, and the report must show the disposition of Medicaid grant funds for the quarter. States are required to report actual expenditures for which their supporting documentation must be in a readily reviewable format

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<sup>8</sup> CMS *State Medicaid Manual* § 2500(A)(1).

<sup>9</sup> § 2.12(C)(3) of the Medicaid Managed Care Services Agreement Between the New Mexico Human Services Department and Lovelace Community Health Plan (July 1, 2012, through Dec. 31, 2013) and § 6.3 of the Medicaid Managed Care Services Agreement for CoLTS Between the New Mexico Human Services Department and Amerigroup Community Care of New Mexico, Inc. (July 1, 2012, through Dec. 31, 2013).

<sup>10</sup> The exact amount of unsupported claimed IHS expenditures was \$6,220,479.

<sup>11</sup> 45 CFR § 75.302(a).

<sup>12</sup> 45 CFR §§ 75.403(a) and (g).

and available immediately when the claim is filed on the CMS-64 report.<sup>13</sup> The quarterly IHS payments the State agency makes to MCOs are based on encounters that have cleared system edits in the MMIS.<sup>14</sup>

The State agency claimed \$3.6 million in IHS expenditures that were not supported by encounter data.<sup>15</sup> Specifically, under its current waiver, the State agency claimed IHS expenditures totaling \$177.3 million; however, the encounter data it provided supported only \$173.7 million in expenditures.

The State agency did not identify and return the \$3.6 million Federal share it received for the unsupported IHS expenditures it claimed under its current waiver because MCOs made adjustments to the IHS encounter data after the State agency completed its reconciliations. The adjustments resulted in a net decrease in payments that the MCOs made for services provided by IHS facilities. The State agency did not have policies and procedures to account for adjustments MCOs made after the reconciliations were completed.

#### **THE STATE AGENCY CLAIMED EXPENDITURES FOR ENCOUNTER DATA MANAGED CARE ORGANIZATIONS SUBMITTED BEYOND THE 2-YEAR LIMIT**

MCOs have 2 years from the first date of service to submit the encounter to the State agency. An encounter submitted after this 2-year period is not eligible for reimbursement.<sup>16, 17</sup>

The State agency claimed \$2.6 million in IHS expenditures for encounter data its MCOs submitted beyond the 2-year limit outlined in the MCO contracts.<sup>18</sup> The State agency's reconciliation policies and procedures for identifying IHS encounter data included calculating the time between the first date of service and the date the MCO paid for an encounter (i.e., MCO paid date). The State agency should have used the date the MCOs entered the encounter into the State agency's MMIS (i.e., entered date) because that date represented the date an

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<sup>13</sup> CMS *State Medicaid Manual* § 2500(A)(1).

<sup>14</sup> § 6.3 of Amendment 5 to the Medicaid Managed Care Agreement Among the New Mexico Human Services Department, the New Mexico Behavioral Health Purchasing Collaborative, and the HCSC Insurance Services Company, a.k.a. Blue Cross and Blue Shield of New Mexico.

<sup>15</sup> The exact amount of unsupported claimed IHS expenditures was \$3,578,193.

<sup>16</sup> Medicaid managed care services contracts between the State agency and its MCOs for the Salud! (section 2.10(C)(3)(d)) and CoLTS (section 6.3(D)) waivers (July 1, 2012, through December 31, 2013).

<sup>17</sup> Medicaid managed care services contracts between the State agency and its MCOs for the Centennial Care waiver (section 6.3.3) (CYs 2014 through 2016).

<sup>18</sup> The exact amount of inappropriately claimed IHS expenditures was \$2,623,509.

MCO submitted an encounter, in accordance with the contract. The entered date was generally later than the MCO paid date.

**THE STATE AGENCY MAY HAVE CLAIMED INPATIENT ENCOUNTER DATA WITH DATES-OF-SERVICE SPANS THAT DID NOT SUPPORT THE NUMBER OF PAID INPATIENT DAYS**

For costs to be allowable under Federal awards, they must be reasonable and adequately documented. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.<sup>19</sup> The State must submit the CMS-64 report each quarter, and the report must show the disposition of Medicaid grant funds for the quarter. States are required to report actual expenditures for which their supporting documentation must be in a readily reviewable format and available immediately when the claim is filed on the CMS-64 report.<sup>20</sup> States must ensure, through their contracts, that MCOs collect data on services furnished to enrollees and verify the accuracy of data received from providers.<sup>21</sup>

New Mexico claimed \$750,811 in IHS expenditures for paid days that were not supported by the dates-of-service spans in the encounter data.<sup>22</sup> For example, as shown in the table below, an encounter described in New Mexico’s 2013 encounter data spanned a single day, but the MCO paid the IHS facility for 10 days for a potential overpayment of \$20,430.

**Table: Example of Unsupported Days Paid by MCO**

First Date of Service	Last Date of Service	2013 Per Diem Payment Rate	Supported Days	MCO Paid Days	MCO Encounter Paid Amount	Potential Encounter Overpayment
12/2/2013	12/2/2013	\$2,272	1	10	\$22,720	\$20,430

The State agency had an edit in its MMIS that was designed to calculate the number of days supported by the dates-of-service span and compare those calculated days with the number of paid days. If the number of days the State agency calculated was within 3 days of the number of paid days, the State agency paid for the encounter. The State agency had turned off this edit for managed care encounter data. Had the edit been turned on for encounter data, it would have detected some of the encounter data with unsupported paid days.

<sup>19</sup> 45 CFR §§ 75.403(a) and (g) and 75.404.

<sup>20</sup> CMS *State Medicaid Manual* § 2500(A)(1).

<sup>21</sup> 42 CFR § 438.242.

<sup>22</sup> A paid day is a day of services for which an MCO paid a provider.

Even if the edit had been turned on for encounter data, the State agency still would have accepted encounter data with paid days that exceeded the calculated days by up to 3 days. To support the edit that still allows for up to 3 days of unsupported paid days, a State agency official provided a Medicare Learning Network Matters memo from 2011 that instructed the State agency to remove an edit that compared the date of admission with an encounter's first date-of-service. However, that memo did not specifically address edits to validate the accuracy of paid days.

State agency officials told us that the dates-of-service reflected in the encounter data were not accurate and did not fully capture the dates-of-service spans. For a selection of one MCO's encounter data that included unsupported paid days, the State agency confirmed that the dates-of-service spans were inaccurate. However, a State agency official indicated that the work related to the selected encounter data was intensive and that it would take a lot of time to determine whether the inaccurate dates-of-service spans affected all encounter data covered by this audit. A State agency official told us that the MCO identified the incorrect dates-of-service issue in August 2020 and was working on correcting the issue.

We could not determine whether the \$750,811 in IHS expenditures was reasonable and supported.

## **RECOMMENDATIONS**

We recommend that the New Mexico Human Services Department:

- refund \$12,422,181 to the Federal Government,
- work with CMS to determine the appropriate amount of the additional \$750,811 that it should have claimed and refund the Federal share difference,
- establish policies and procedures to account for adjustments MCOs make to IHS encounter data after reconciliations are completed,
- use the entered date to determine whether the MCO submitted an encounter within the 2-year limit,
- turn on the edit for encounter data that compares calculated days to paid days to limit the State agency's acceptance of encounter data with dates-of-service spans that do not support the paid days, and
- strengthen the edit by removing the 3-day allowance to ensure that dates-of-service spans fully support paid days.

## STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

### STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our recommendation that it use the entered date to determine whether the MCO submitted an encounter within the 2-year limit. The State agency did not directly address any of our other recommendations but, instead, addressed each of our four findings.

The State agency concurred with our first and third findings and described actions it had taken that address those two findings, including implementing a detailed reconciliation process and changing that process to use the MCO entered date. However, the State agency did not concur with our second and fourth findings.

Regarding our second finding that the State agency claimed unsupported expenditures because its reconciliations did not account for encounter data adjustments, the State agency objected to our use of encounter data that the State agency extracted from its MMIS after we began our audit and sent to us in September 2019 to verify the encounter data totals it used in its reconciliations. The State agency said that we should have used the encounter data the State agency extracted when it conducted its reconciliations in June 2018. Because it was reconciling IHS payments for CYs 2014 through 2016, the State agency said that it believed that it had allowed for sufficient runout time for any adjustments to the encounter data that MCOs made to be captured in the June 2018 data. The State agency pointed out that a data extraction from its MMIS will reflect adjustments only up to the point in time that the data was extracted. The State agency said that it is not required to repeat the reconciliations and reaffirmed that it had allowed a sufficient runout period to capture adjustments MCOs made to encounters after it conducted its reconciliations.

Regarding our fourth finding that the State agency may have claimed expenditures for inpatient encounter data with dates-of-service spans that did not support the number of paid inpatient days, the State agency said that there had been an issue with one MCO's system that caused the disagreement between the dates-of-service spans and the paid inpatient days. The State agency said that it believed that its work to confirm the inaccuracy of the dates-of-service spans for a selection of encounter data we identified, along with the MCO's correction of its system issue, makes the encounter data reasonable and sufficiently supported.

The State agency's comments are included in their entirety as Appendix B.

### OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency's comments, we maintain that our findings and recommendations are valid. Regarding our second finding, establishing policies and procedures to account for adjustments MCOs make to IHS encounter data after reconciliations is necessary

to ensure that IHS expenditures are supported by encounter data. We agree that a data extraction reflects only adjustments up to the time that the data was extracted. Our use of the encounter data sent to us in September 2019 was appropriate because that data included adjustments that occurred after the State agency's reconciliations. Those adjustments resulted in MCOs decreasing payments to providers by \$3.6 million. The MCOs benefitted from those decreased payments because they were allowed to keep the \$3.6 million that did not ultimately go to providers and should not have been reimbursed.

With respect to our fourth finding, we were not able to verify the State agency's assertion that the encounter data was reasonable and sufficiently supported. The State agency should provide documentation to CMS to support that assertion.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

Our audit covered \$222.6 million in claimed IHS expenditures for the period July 1, 2012, through December 31, 2016 (audit period).

We assessed internal controls necessary to satisfy the audit objective. In particular, we assessed the control activities related to how the State agency claimed and reconciled IHS expenditures.

We conducted our fieldwork at the State agency offices in Santa Fe, New Mexico.

### METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and State requirements related to IHS expenditures, including laws, regulations, and the State agency's contracts with its MCOs;
- reviewed the State agency's documented policies and procedures for identifying initial and claimed IHS expenditures and performing reconciliations of those initial IHS expenditures with actual paid IHS encounter data and interviewed State agency officials to gain an understanding of those policies and procedures;
- identified the IHS expenditures the State agency claimed on the CMS-64 reports;
- reviewed IHS encounter data and tested that data's accuracy and reliability;
- obtained the State agency's reconciliations it performed for services provided by IHS facilities under its current waiver and validated the amounts included in those reconciliations (i.e., the IHS expenditures claimed on the CMS-64 reports and the encounter data totals);
- reconciled IHS expenditures the State agency claimed under its older waivers to the supported encounter data totals; and
- discussed the results of our audit with the State agency officials.

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 objectives.

## APPENDIX B: STATE AGENCY COMMENTS



January 20, 2022

Patricia Wheeler  
Regional Inspector General for Audit Services  
Office of Inspector General  
U.S. Department of Health and Human Services

Re: Office of Inspector General (OIG) Report A-06-19-09005

Dear Ms. Wheeler:

Thank you for the opportunity to review and respond to U.S. Department of Health and Human Services, Office of Inspector General (DHHS/OIG) draft report entitled *New Mexico Did Not Claim \$12.4 Million of \$222.6 Million in Medicaid Payments for Services Provided by Indian Health Service (IHS) Facilities in Accordance with Federal and State Requirements*. The State's responses to the findings and recommendations are outlined below.

**DHHS/OIG Finding:** *The State Agency did not identify and return the \$6.2 million Federal share it received for the unsupported IHS expenditures it claimed under its older waivers because it did not perform reconciliations of the initial payments to actual IHS encounter data.*

**State Response to DHHS/OIG Finding:** The State concurs with this finding. The State did not have a process in place to conduct a reconciliation of the encounter data submitted by the Managed Care Organizations (MCOs) and the payments made to the MCOs for IHS expenditures between July 1, 2012 and December 31, 2013. The contractual terms in effect for this period required that the MCOs report IHS expenditures on a quarterly basis to the State. The State would then make quarterly payments to the MCOs in an amount not to exceed the total of IHS expenditures reported quarterly by the MCOs. After a sufficient period of claims runout, the State should then have performed an analysis of the accepted as paid encounters into its MMIS as compared to the quarterly payments made to the MCOs to identify under/overpayments made to the MCOs by the State.

The State rectified this finding by outlining and implementing a detailed reconciliation process of IHS expenditures effective January 1, 2014. The detailed reconciliation procedure was provided to the DHHS/OIG as part of this audit. The DHHS/OIG was also provided with the supporting documentation, financial information, and encounter data to demonstrate the reconciliation had been performed for subsequent years by the State.

**DHHS/OIG Finding:** *The State Agency did not identify and return the \$3.6 million Federal share it received for unsupported IHS expenditures it claimed under its current waiver because MCOs made adjustments to IHS encounter data after the State Agency completed its reconciliations.*

**State Response to DHHS/OIG Finding:** The State disagrees with this finding. The State conducted a reconciliation of IHS expenditures for calendar years 2014 through 2016 in June 2018. Upon engagement of this audit, the DHHS/OIG requested all IHS encounter data submitted by the MCOs for the time period of July 1, 2012 through December 31, 2017. The data set was extracted by the State from its MMIS in July of 2019 and provided to DHHS/OIG in September of 2019. At the time the encounter data was requested, it was unclear to the State that the intentions of the DHHS/OIG were to review and validate the State's reconciliation results of IHS expenditures for the time period identified above. After many subsequent conversations, in December 2019, the State provided the DHHS/OIG with the "original" encounter data set that was used to perform the June 2018 reconciliation.

The original encounter data set used to perform the June 2018 reconciliation of IHS expenditures for calendar years 2014 through 2016 had sufficient runout to account for any adjustments to the encounter data made by the MCOs. The criteria utilized to establish the original encounter data set for each calendar year included the date of service that fell in the calendar year for which the reconciliation was conducted. The encounter data was then compared to the payments made to the MCOs for the calendar year included in the reconciliation.

The State's position is that it did in fact have policies and procedures in place to account for adjustments to the encounter data. Furthermore, the State points out that an extraction of data from its MMIS will always only reflect adjustments of encounters up to the point in time that the data is extracted and used for the purpose of conducting reconciliations. The State was not required, neither through its written processes nor through its contractual terms with the MCOs, to repeat the reconciliation and reaffirms that the State allowed a sufficient run-out period for adjustments to the encounters made by the MCOs prior to conducting the June 2018 reconciliation. The State disagrees that it should have conducted an additional reconciliation of IHS expenditures for calendar years 2014 through 2016 after having completed the June 2018 reconciliation and believes that the DHHS/OIG should have used the same processes, methodologies, and data to reconstruct the State's reconciliation in order to validate the State's results.

**DHHS/OIG Finding:** *The State Agency claimed \$2.6 million in IHS expenditures for encounter data its MCOs submitted beyond the 2-year limit outlined in the MCO contracts.*

**State Response to DHHS/OIG Finding:** The State agrees with this finding. With regard to the June 2018 reconciliation for calendar years 2014 through 2016, the State did not follow its established policies and procedures when identifying encounters submitted beyond the two-year timely filing limit to be eligible for reimbursement. The State instead used the MCO paid date as the criteria when evaluating the encounter data.

The State continuously seeks opportunities to strengthen its policies and procedures to ensure the State's Medicaid program operates as efficiently as possible and meets both state and federal standards. The State concurs with the DHHS/OIG recommendation and has changed its reconciliation procedures to include the date the MCOs entered the encounter and submitted to the State's MMIS system rather than the MCO paid date to identify encounters beyond the two-year timely filing limit.

The State made this change to its written reconciliation process which is applicable for calendar years 2017 and 2018.

***DHHS/OIG Finding:*** *The State Agency may have claimed \$750,811 in IHS expenditures for paid days that were not supported by the dates of service spans in the encounter data.*

***State Response to DHHS/OIG Finding:*** The State disagrees with this finding. In August of 2020, the State was notified by one of its contracted MCOs that a system glitch had been identified in which the “from” and “through” dates did not match the number of covered days on inpatient encounters. In February of 2021, the MCO confirmed that they had corrected the system issue for calendar years 2020 and 2021 and would be correcting encounters from 2014 through 2019. The State tested the February 2021 encounter submission and validated that the system issue was resolved.

Additionally, the State conducted a sample review of 27 encounters identified by the DHHS/OIG for calendar year 2015. The State reviewed the professional claims that support the encounters and verified that the number of MCO paid days matched those identified on the professional claims. Based upon the results of the sample review, the State’s position is that the \$750,811 in IHS expenditures for inpatient encounters were reasonable, supported by sufficient documentation and the MCO has adequately corrected the submission issue related to the number of paid days.

We appreciate the work of the DHHS/OIG related to this review. Should you have questions, please contact Julie Lovato, Compliance Officer at [julie.lovato@state.nm.us](mailto:julie.lovato@state.nm.us).

Sincerely,



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