Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

OPPORTUNITIES FOR PROGRAM IMPROVEMENTS RELATED TO STATES' WITHDRAWALS OF FEDERAL MEDICAID FUNDS

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

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Inspector General

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A-06-14-00068

Office of Inspector General

http://oig.hhs.gov

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EXECUTIVE SUMMARY

Program improvements related to States' withdrawals of Federal Medicaid funds would help protect the Medicaid program.

WHY WE DID THIS REVIEW

We conducted a series of audits related to States' withdrawals of Federal Medicaid funds and issued three final reports to the Alabama, Illinois, and Maryland State Medicaid agencies. In the course of these audits, we identified systemic issues with the way the States make Federal Medicaid withdrawals that should be communicated to the Centers for Medicare & Medicaid Services (CMS).

The objective of our review was to identify opportunities for program improvement, using the results of three State Medicaid agency reviews that determined whether Federal Medicaid withdrawals were supported by net expenditures.

BACKGROUND

Before each quarter, States estimate their Medicaid expenditures and report the estimates to CMS on the quarterly Medicaid Program Budget Report. CMS uses the estimates to determine grant awards, which are the Federal fund amounts in the U.S. Department of the Treasury (Treasury) that will be available to States during the quarter. CMS provides the grant award information to the Division of Payment Management (DPM), which is a division within the U.S. Department of Health and Human Services that operates as CMS's fiscal intermediary for Medicaid. DPM uses the Payment Management System (PMS) to record grant award amounts and process the States' withdrawals from the Treasury.

Before Federal fiscal year (FY) 2010, States had PMS grant award accounts that combined the Medicaid funds from every year. Consequently, yearly balances were not distinguishable. Beginning in FY 2010, CMS implemented annualized grant award accounts that had beginning and ending balances to improve the transparency of Medicaid funding. As a result, each State has PMS accounts for each FY, rather than combined accounts containing the funds for multiple FYs. States should return or withdraw funds from appropriate PMS accounts established for the FY in which the associated expenditures were reported; CMS emailed these instructions to the States on November 8, 2011.

Throughout a quarter, States withdraw Federal funds from the PMS accounts to pay the Federal share of Medicaid expenditures. Within 30 days after the end of each quarter, States report to CMS 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.

CMS calculates a final grant award amount for each State by comparing the grant awards for the quarter with expenditures reported on the CMS-64 report. If a State's grant awards are less than its expenditures, CMS increases the State's grant award account. Conversely, if a State's grant awards exceed its expenditures, CMS decreases the State's grant award account by the difference.

After all four quarters have been finalized, CMS calculates the final grant award amount for the entire FY. CMS compares this final amount to each State's withdrawals from the PMS account throughout the FY and notifies each State whether it has underdrawn or overdrawn Federal funds. The State is responsible for determining the corrective action associated with CMS's determination, which could include withdrawing additional Federal funds or returning Federal funds.

Federal regulations authorize States to withdraw Federal funds as needed to pay the Federal share of Medicaid disbursements (42 CFR § 430.30(d)(3)). Also, a State must minimize the time between the transfer of funds from the Treasury and the State's payout of funds for Federal assistance programs and limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs (31 CFR part 205).

WHAT WE FOUND

CMS has not issued guidance instructing States on the appropriate extent and timing of Medicaid withdrawals. Specifically, CMS has not issued guidance that clarifies the "as needed" language in 42 CFR § 430.30(d)(3) that would educate States on the application of 31 CFR part 205 in Medicaid. Such guidance and education would help prevent States from withdrawing more Medicaid funds than necessary. All three States that we audited withdrew more funds than necessary to meet immediate cash needs. At the time of our reviews, Alabama and Maryland had overdrawn more than $130 million in Medicaid funds that they had not refunded to the Federal Government. Although Illinois refunded overdrawn Medicaid funds, its withdrawals exceeded its expenditures by an average of $60 million a quarter.

Additionally, CMS did not publish formal guidance instructing States on how to handle the funds in annualized PMS accounts, and all three States that we audited withdrew funds from inappropriate accounts.

Finally, CMS does not require States to reconcile their total Federal Medicaid funds withdrawn with their Federal share of net expenditures. Also, CMS has not issued any reconciliation guidance, such as requiring States to identify and resolve any differences between the amounts withdrawn and the Federal share of net expenditures. One State that we audited did not perform reconciliations. The other two States performed reconciliations; however, the procedures the two States used were inconsistent with each other.

WHAT WE RECOMMEND

We recommend that CMS:

- issue guidance that clarifies existing requirements and provides further interpretation of the "as needed" language in 42 CFR § 430.30(d)(3) as it relates to the withdrawal of Medicaid funds;

- publish regulations that are consistent with the Treasury provisions in 31 CFR part 205 and educate States;

- publish and enforce formal guidance based on the November 8, 2011, email, so that States are aware of the appropriate PMS account from which to withdraw or return funds; and

- require States to reconcile total Federal Medicaid funds withdrawn with the Federal share of net expenditures and issue appropriate reconciliation guidelines.

CMS COMMENTS AND OUR RESPONSE

In written comments on our draft report, CMS concurred with our first and third recommendations and stated that it is drafting guidance to clarify existing requirements. CMS did not indicate concurrence or nonconcurrence with our second and fourth recommendations.

For our second recommendation, CMS indicated that it plans to issue guidance that will clarify regulatory requirements with which States must comply when withdrawing and reconciling Federal Medicaid funds.

In response to our fourth recommendation, CMS stated that it will inform States that it considers State-level reconciliations a best practice but that it does not have the authority to require or enforce those reconciliations.

After reviewing CMS's comments, we maintain that our findings and recommendations are valid. We believe that clarifying guidance related to regulatory requirements on withdrawing and reconciling Federal Medicaid funds and informing States that it considers State-level reconciliations a best practice are good starts to address the issues we identified. However, we continue to recommend that CMS publish regulations consistent with the Treasury provisions in 31 CFR part 205. Such Medicaid-specific regulations would provide CMS a stronger basis for (1) preventing States from withdrawing funds that are not necessary and (2) requiring States to perform their own reconciliations of total Federal Medicaid funds withdrawn with the Federal share of net expenditures.

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INTRODUCTION

WHY WE DID THIS REVIEW

We conducted a series of audits related to States' withdrawals of Federal Medicaid funds and issued three final reports to the Alabama, Illinois, and Maryland State Medicaid agencies.[1] The audits resulted in the identification of more than $130 million in inappropriate withdrawals. In the course of these audits, we identified systemic issues with the way the States make Federal Medicaid withdrawals that should be communicated to the Centers for Medicare & Medicaid Services (CMS).

OBJECTIVE

Our objective was to identify opportunities for program improvement, using the results of three State Medicaid agency reviews that determined whether Federal Medicaid withdrawals were supported by net expenditures.

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 Medicaid. At the Federal level, CMS administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although a State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

Medicaid Funding Process

Before each quarter, States estimate their Medicaid expenditures and report the estimates to CMS on the quarterly Medicaid Program Budget Report. CMS uses the estimates to determine the initial grant awards, which are the Federal fund amounts in the U.S. Department of the Treasury (Treasury) that will be available to States during the quarter. A State may request additional funds by applying for a supplemental grant award during the quarter. The amount of Federal funds that will be available for a State to access during the quarter is limited by the sum of the initial and supplemental grant award estimates.

CMS provides the grant award information to the Division of Payment Management (DPM), which is a division within the U.S. Department of Health and Human Services that operates as CMS's fiscal intermediary for Medicaid. DPM uses the Payment Management System (PMS) to account for Medicaid financial activity, such as recording grant award amounts and processing the States' withdrawals from the Treasury.

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[1] See Appendix A for a list of reports related to States' Medicaid withdrawals. At the time of this review, we had similar work underway in California.

Before Federal fiscal year (FY) 2010, States had PMS grant award accounts that combined the Medicaid funds from every year. Consequently, yearly balances were not distinguishable. Beginning in FY 2010, CMS implemented annualized grant award accounts that had beginning and ending balances to improve the transparency of Medicaid funding. As a result, each State has PMS accounts for each FY, rather than combined accounts containing the funds for multiple FYs. States should return or withdraw funds from appropriate PMS accounts established for the FY in which the associated expenditures were reported; CMS emailed these instructions to the States on November 8, 2011.

Throughout a quarter, States withdraw Federal funds from the PMS accounts to pay the Federal share of Medicaid expenditures. Within 30 days after the end of each quarter, States report to CMS 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.

CMS calculates a final grant award amount for each State by comparing the initial and supplemental grant awards for the quarter with expenditures reported on the CMS-64 report. CMS also includes in its calculation adjustments to expenditures that were not included on the CMS-64 report, such as interest due to CMS and expenditures that CMS disallowed. If a State's initial and supplemental grant awards are less than its expenditures, CMS increases the State's grant award account. Conversely, if a State's initial and supplemental grant awards exceed its expenditures, CMS decreases the State's grant award account by the difference.

After all four quarters have been finalized, CMS calculates the final grant award amount for the entire FY. CMS compares this final amount to each State's withdrawals from the PMS account throughout the FY and notifies each State whether it has underdrawn or overdrawn Federal funds.[2] The State is responsible for determining the corrective action associated with CMS's determination, which could include withdrawing additional Federal funds or returning Federal funds.

Federal Requirements Related to Withdrawing Federal Funds

Federal financial participation is available only for the total amount expended as medical assistance and for the proper and efficient administration of a CMS-approved State plan (the Social Security Act (the Act), §§ 1903(a)(1) and (a)(7)). Additionally, Federal regulations (42 CFR § 430.30(d)(3)) authorize States to withdraw Federal funds as needed to pay the Federal share of Medicaid disbursements.

Federal regulations also require States to minimize the time between the transfer of funds from the Treasury and the State's payout of funds for Federal assistance programs and to limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs (31 CFR part 205). The Treasury is responsible for enforcing these regulations.

[2] Because the Federal funds a State can access are limited by its grant award estimates, a State can overdraw if it has overestimated the Federal funds it needed.

HOW WE CONDUCTED THIS REVIEW

We compiled information gathered during a series of audits related to States' Federal Medicaid withdrawals in Alabama, Illinois, and Maryland.

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 contains the details of our audit scope and methodology.

FINDINGS

CMS has not issued guidance instructing States on the appropriate extent and timing of Medicaid withdrawals. Specifically, CMS has not issued guidance that clarifies the "as needed" language in 42 CFR § 430.30(d)(3) that would educate States on the application of 31 CFR part 205 in Medicaid. Such guidance and education would help prevent States from withdrawing more Medicaid funds than necessary. All three States that we audited withdrew more funds than necessary to meet immediate cash needs. At the time of our reviews, Alabama and Maryland had overdrawn more than $130 million in Medicaid funds that they had not refunded to the Federal Government. Although Illinois refunded overdrawn Medicaid funds, its withdrawals exceeded its expenditures by an average of $60 million a quarter.

Additionally, CMS did not publish formal guidance instructing States on how to handle the funds in annualized PMS accounts, and all three States that we audited withdrew funds from inappropriate accounts.

Finally, CMS does not require States to reconcile their total Federal Medicaid funds withdrawn with their Federal share of net expenditures. Also, CMS has not issued any reconciliation guidance, such as requiring States to identify and resolve any differences between the amounts withdrawn and the Federal share of net expenditures. One State that we audited did not perform reconciliations. The other two States performed reconciliations; however, the procedures the two States used were inconsistent with each other.

CMS HAS NOT ISSUED CLARIFYING GUIDANCE ON MEDICAID WITHDRAWALS

Medicaid withdrawals fit within the broad parameters of 1903(a)(1) of the Act, which requires that the Secretary of Health and Human Services pay each State the Federal share of the total amount expended during the quarter as medical assistance. A Federal regulation authorizes States to withdraw Federal funds as needed to pay the Federal share of disbursements (42 CFR § 430.30(d)(3)). However, CMS has not provided any formal interpretation of "as needed" to the States. That regulation is the only Medicaid regulation regarding withdrawals, and it has not been updated since 1970, although the banking industry has changed significantly. For example, electronic fund transfers now allow money to move from one account to another within 1 day.

The Treasury requirements in 31 CFR part 205 provide a roadmap for interpreting the "as needed" language. These requirements include that a State must (1) minimize the time between the transfer of funds from the Treasury and the State's payout of funds for Federal assistance program purposes and (2) limit the amount of funds withdrawn to the minimum required to meet a State's actual and immediate cash needs. However, the Treasury regulations are not specifically tailored to the Medicaid funding environment. Further, CMS cannot directly enforce Treasury's or another agency's rules and regulations. Instead, CMS must request that the Treasury require a State to adhere to the requirements, and CMS ultimately has no control over whether and how Treasury will enforce its regulations.

During our Federal Medicaid withdrawals reviews, we determined that all three States withdrew more funds than necessary to meet immediate cash needs. At the time of our reviews, Alabama and Maryland had overdrawn more than $130 million in Medicaid funds that they had not refunded to the Federal Government.

Although Illinois refunded overdrawn Medicaid funds, its withdrawals exceeded its expenditures by an average of $60 million a quarter. The State overdrew the funds because of an imprecise withdrawal methodology, which included withdrawing Medicaid funds for non-Medicaid expenditures, calculating the Federal share to be withdrawn on the basis of estimated Federal share percentages, and estimating some Medicaid expenditures. This methodology allowed Illinois to potentially withdraw funds before they were needed to pay for actual Medicaid expenditures. Illinois deposited the Medicaid funds into its general revenue account and used these funds to pay for non-Medicaid expenditures, which could have included expenditures for transportation, education, and pensions. As a result, the State could not refund the Medicaid overdrawn amounts until additional funds became available in its general revenue account 2 to 6 months later. Illinois was not required to pay interest on the funds that it held for this period.

CMS DID NOT ISSUE FORMAL GUIDANCE ON THE TREATMENT OF ANNUAL ACCOUNTS

CMS's implementation of annualized accounts for grant awards improved the transparency of Medicaid funding. However, CMS did not formally publish guidance instructing States on how they should handle the funds in those annualized accounts. In the email dated November 8, 2011, CMS reminded States to return or withdraw funds from appropriate PMS accounts established for the FY in which the associated expenditures were reported. This informal method of communication restricts the application of this guidance; formally publishing it would make it enforceable.

All three States withdrew funds from inappropriate PMS accounts. On multiple occasions, the States withdrew Federal funds from 1 year's account to pay for a different year's expenditures, causing the PMS account balances to be wrong and sometimes concealing when the States had overdrawn Federal funds. Without formal guidance identifying acceptable practices for the annualized accounts, limited transparency and unnecessary risk to Medicaid will continue.

CMS DOES NOT REQUIRE STATES TO RECONCILE FEDERAL MEDICAID FUNDS WITHDRAWN WITH EXPENDITURES

CMS does not require States to reconcile their total amount of Federal Medicaid funds withdrawn with their Federal share of net expenditures, and it has not issued any guidance on the matter.[3]

Alabama did not perform reconciliations, so it did not identify overdraws. Even though Illinois and Maryland performed reconciliations, their procedures were inconsistent with each other. For example, Illinois' reconciliation process included adjustments that CMS made to the State's reported expenditures, but Maryland's did not. Further, although both States identified differences between Federal funds withdrawn and net expenditures, only Illinois resolved the differences by eventually returning the overdrawn funds. If States were required to complete reconciliations and resolve identified differences, Federal fund overdraws could be minimized.

CONCLUSION

By clearly interpreting the "as needed" language in 42 CFR § 430.30(d)(3), CMS could clarify the appropriate extent and timing of Federal Medicaid withdrawals. By publishing regulations that are consistent with the Treasury provisions in 31 CFR part 205, CMS could implement enforceable regulations to prevent States from withdrawing funds that are not necessary for immediate disbursements.

Further, formal instructions regarding how to manage and make proper withdrawals from annualized PMS accounts coupled with a requirement to perform reconciliations, and guidelines for those reconciliations, would help protect the integrity of States' Federal Medicaid funds.

RECOMMENDATIONS

We recommend that CMS:

- issue guidance that clarifies existing requirements and provides further interpretation of the "as needed" language in 42 CFR § 430.30(d)(3) as it relates to the withdrawal of Medicaid funds;

- publish regulations that are consistent with the Treasury provisions in 31 CFR part 205 and educate States;

- publish and enforce formal guidance based on the November 8, 2011, email, so that States are aware of the appropriate PMS account from which to withdraw or return funds; and

[3] A reconciliation process would involve comparing funds withdrawn to net expenditures and making corrections for any differences. For example, if a State withdrew $100 but had only $80 in net expenditures, the State should identify the overdraw through reconciliation and return the $20 to the Federal Government.

- require States to reconcile total Federal Medicaid funds withdrawn with the Federal share of net expenditures and issue appropriate reconciliation guidelines.

CMS COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

CMS COMMENTS

In written comments on our draft report, CMS concurred with our first and third recommendations and stated that it is drafting guidance to clarify existing requirements. CMS did not indicate concurrence or nonconcurrence with our second and fourth recommendations.

For our second recommendation, CMS indicated that it plans to issue guidance that will clarify regulatory requirements with which States must comply when withdrawing and reconciling Federal Medicaid funds.

In response to our fourth recommendation, CMS stated that it will inform States that it considers State-level reconciliations a best practice but that it does not have the authority to require or enforce those reconciliations.

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

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing CMS's comments, we maintain that our findings and recommendations are valid. We believe that clarifying guidance related to regulatory requirements on withdrawing and reconciling Federal Medicaid funds and informing States that it considers State-level reconciliations a best practice are good starts to address the issues we identified. However, we continue to recommend that CMS publish regulations consistent with the Treasury provisions in 31 CFR part 205. Such Medicaid-specific regulations would provide CMS a stronger basis for (1) preventing States from withdrawing funds that are not necessary and (2) requiring States to perform their own reconciliations of total Federal Medicaid funds withdrawn with the Federal share of net expenditures.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
Maryland Withdrew Excessive Federal Medicaid Funds for Fiscal Years 2009 Through 2011	A-06-12-00051	12/20/2013
Illinois' Federal Medicaid Withdrawals Were Supported by Net Expenditures for Fiscal Years 2010 Through 2012	A-06-13-00032	8/7/2014
Alabama Withdrew Excessive Federal Medicaid Funds for Fiscal Years 2010 Through 2012	A-06-13-00026	9/8/2014

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

We summarized information from audits related to States' Federal Medicaid withdrawals in Alabama, Illinois, and Maryland.

Our objective did not require a review of CMS's overall internal control structure.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- held discussions with CMS officials to gain an understanding of guidance CMS furnished to States concerning the withdrawing of Federal funds;
- summarized the results of the following issued reports:
  - *Alabama Withdrew Excessive Federal Medicaid Funds for Fiscal Years 2010 Through 2012* (A-06-13-00026),
  - *Illinois' Federal Medicaid Withdrawals Were Supported by Net Expenditures for Fiscal Years 2010 Through 2012* (A-06-13-00032), and
  - *Maryland Withdrew Excessive Federal Medicaid Funds for Fiscal Years 2009 Through 2011* (A-06-12-00051); and
- discussed our results with CMS 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 C: CMS COMMENTS

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

200 Independence Avenue SW
Washington, DC 20201

JAN 29 2016

To: Daniel R. Levinson
Inspector General
Office of Inspector General

From: Andrew M. Slavitt [redacted]
Acting Administrator
Centers for Medicare & Medicaid Services

Subject: Opportunities For Program Improvements Related To States' Withdrawals of Federal Medicaid Funds (A-06-14-00068)

The Centers for Medicare and Medicaid Services (CMS) appreciates the opportunity to review and comment on this draft report. CMS takes seriously its responsibility for the accountability, fiscal integrity, and funding of the Medicaid program.

Within broad federal requirements, each state administers and operates its Medicaid program in accordance with a CMS-approved state Medicaid Plan. Within the statutory framework, states are afforded considerable flexibility in determining the methodologies and rates used to pay for Medicaid services as well as internal budget procedures and processes.

As the OIG's report notes, states withdraw Federal funds throughout a quarter to pay the estimated Federal share of Medicaid expenditures. CMS uses the Payment Management System (PMS) to process the states' withdrawals. States then report their actual expenditures to CMS on the quarterly CMS-64 form. After all four quarters have been finalized, CMS calculates the final grant award amount for the fiscal year. CMS compares this final grant amount to each state's withdrawals from the Federal government and notifies each state as to whether it has underdrawn or overdrawn Federal funds.

If states are found to have overdrawn Federal funds, CMS has established an internal process to ensure states return the funds, including any applicable interest, to the Federal government. This process involves an ongoing, quarter-by-quarter root cause analysis to determine the causes for, and devise solutions to prospectively avoid, negative balances. For the first three quarters of each fiscal year, CMS works with state staff to identify issues, explain and/or resolve discrepancies, and initiate appropriate corrective actions prior to the end of the fiscal year. At the end of the fiscal year, if a state still has a negative balance, CMS documents the negative balance and clearly documents next steps in working with states to address the negative balance. In addition, CMS has individually notified states how to return or withdraw funds from appropriate PMS accounts established for the fiscal year in which the associated expenditures were reported. CMS identifies both positive and negative balances on a monthly basis and communicates with the states to update them of their account status. CMS plans on issuing guidance to the states clarifying their responsibilities with respect to the withdrawal and

Office of Inspector General Note—The deleted text has been redacted because it is personally identifiable information.

reconciliation of Federal Medicaid funds, including information regarding appropriate PMS accounts from which to withdraw or return funds.

OIG Recommendation
The OIG recommends that CMS issue guidance that clarifies existing requirements and provides further interpretation of the "as needed" language in 42 CFR 430.30(d)(3) as it relates to the withdrawal of Medicaid funds.

CMS Response
CMS concurs with this recommendation. CMS is in the process of drafting guidance to clarify existing requirements, and will remind states of their responsibilities with respect to the withdrawal and reconciliation of Federal Medicaid funds.

OIG Recommendation
The OIG recommends that CMS publish regulations that are consistent with the Treasury provisions in 31 CFR part 205 and educate states.

CMS Response
CMS plans on issuing guidance to clarify regulatory requirements with which states must comply when withdrawing and reconciling Federal Medicaid funds. This guidance will remind states of their responsibilities and further educate them on these requirements.

OIG Recommendation
The OIG recommends that CMS publish and enforce formal guidance based on the November 8, 2011 email, so that states are aware of the appropriate PMS account from which to withdraw or return funds.

CMS Response
CMS concurs with this recommendation. CMS is in the process of drafting guidance to clarify existing requirements, and will include information regarding appropriate PMS accounts from which to withdraw or return funds.

OIG Recommendation
The OIG recommends that CMS require states to reconcile total Federal Medicaid funds withdrawn with the Federal share of net expenditures and issue appropriate reconciliation guidelines.

CMS Response
CMS currently conducts a reconciliation of Federal Medicaid funds withdrawn with states' expenditures through the CMS-64 process. CMS will educate states that it is considered a best practice to reconcile, at the state level, the total Federal Medicaid funds withdrawn and the Federal share of net expenditures. CMS, however, does not currently have the authority to require or enforce this practice.