

Medicaid Performance Audit – Findings Overview

Administrative Expenses

- Compared to other states with similar medical assistance payment spending, NC administrative costs are significantly higher. In addition, the Division of Medical Assistance (DMA) consistently exceeds budgeted amounts for contracted administrative costs (**page 18, 24**).
- DMA only controls about 33% (\$256.7 million) of the total administrative expenses for the NC Medicaid program. Other Department of Health and Human Services (DHHS) divisions spend the remaining 67% (\$524.3 million), and there is little internal oversight of these expenses (**page 25**).
- DHHS does not have a comprehensive Public Assistance Cost Allocation Plan, and DMA does not have a cost allocation plan. Having comprehensive cost allocation plans would allow better management of administrative costs (**page 27, 29**).

Budget and Financial Projections

- DMA's budget has significantly exceeded Certified Budget and incurred State General Fund shortfalls of \$418.2 million in 2012, \$403.6 million in 2011, and \$316.7 million in 2010 (**page 36**).
- Contrary to state statute, DMA retained \$131.8 million of federal funds owed in FY12. Most of this was drug rebate money (**page 39**).
- Directives to achieve budgeted savings were not followed. For example, DMA failed to comply with a legislative mandate to eliminate inflationary increases for nursing facilities (**page 51**).
- DMA focuses on forecasts for medical payments. Financial projections do not include all relevant expenses. Known expenditures, such as repayments for personal care services (\$41.7 million) and an installment repayment for the 2009 overdraw (\$40.9 million), were not included in the budget for 2012. Therefore, DMA began the year with an \$82.6 million shortfall (**page 43**).
- DMA does not follow best practices to improve its forecasting methodology by comparing forecasts to actual budget performance to determine the reasons for variances (**page 45**).
- Financial projections do not extend beyond the current biennium. Best practices recommend multi-year forecasts to allow policymakers to engage in informed long-term planning (**page 46**).

State Plan Amendments

- State Plan Amendment (SPAs) delays have had little impact on the shortfalls over the last three years, and the SPA process appears to be effective. Projected savings were not realized because DMA's projections did not take into account implementation time, and DMA never intended to retroactively implement the SPAs to achieve the savings due to Medicaid Management Information System (MMIS) constraints and avoidance of potential provider appeals and/or lawsuits for retroactive implementation of these SPAs (**page 59**).

Reporting

- DMA is not providing timely and useful reports and essential data to stakeholders such as Office of State Budget and Management (OSBM) and Fiscal Research (**page 62**).

Attachment 1: Total Administrative Cost Comparison

(Excerpt from page 18 in the Performance Audit Report)

State	Total Cost (\$)	Administrative Cost (\$)	Admin to Total
Tennessee	7,969,998,389	413,622,139	5.19%
Missouri	8,011,172,212	286,268,889	3.57%
Georgia	8,064,611,365	400,415,522	4.97%
Arizona	8,988,386,558	155,835,205	1.73%
North Carolina	10,297,057,563	648,762,805	6.30%
New Jersey	10,501,136,233	571,374,290	5.44%
Michigan	12,062,932,510	515,345,364	4.27%
Illinois	12,835,985,780	678,614,042	5.29%
Massachusetts	13,007,366,707	555,838,633	4.27%
Average	\$10,193,183,035	\$469,564,099	4.56%

Source: Center for Medicare and Medicaid Services reports and auditor calculations

Attachment 2: State Plan Amendment Examples

(Excerpt from page 60 in the Performance Audit Report)

SPA	Submission Date	Budget Implementation Date	CMS Approval
10-031	10/25/2010	1/1/2011	4/15/2011
11-001	3/24/2011	1/1/2011	1/17/2012
10-024	9/1/2010	11/1/2010	3/21/2011

Attachment 3

(Excerpt from page 20-21 in the Performance Audit Report)

Title XIX Administrative Resources Expended for the SFYE 6/30/12									
#	Medicaid Administrative Functions	# of Staff	PERSONAL SERVICES	OTHER IN-HOUSE	OUTSOURCED CONTRACTS	TOTAL COMPUTABLE EXPENDITURE(1)	FEDERAL SHARE	NON-FEDERAL SHARE(2)	TC %
1a	Beneficiary Outreach and Enrollment	53.54	3,350,916.94	1,082,891.28	614,483.09	5,048,291.31	2,818,623.63	2,229,667.68	2.5%
1b	Medicaid Admin Claiming (MAC) for School-Based Services (SBS)	-	-	-	47,034,695.29	47,034,695.29	23,517,347.64	23,517,347.65	23.1%
1	Subtotal: Beneficiary Outreach and Enrollment	53.54	3,350,916.94	1,082,891.28	47,649,178.38	52,082,986.60	26,335,971.27	25,747,015.33	25.6%
2	Defining the Scope of Covered Benefits	51	4,422,816.37	61,284.51	242,386.98	4,726,487.86	3,514,610.92	1,211,876.94	2.3%
3	Setting Provider and Plan Payment Rates	26.5	1,799,740.44	71,452.75	4,994,018.24	6,865,211.43	3,845,053.60	3,020,157.83	3.4%
4	Enrolling Providers and Plans	25.46	1,580,127.88	558.17	-	1,580,686.05	790,343.39	790,342.66	0.8%
5	Payment of Providers and Plans	26	2,653,801.00	(1,095.60)	54,492,245.59	57,144,950.99	41,324,222.71	15,820,728.28	28.0%
6	Monitoring Service Quality	32	2,347,461.18	84,386.25	217,627.30	2,649,474.73	1,536,658.08	1,112,816.65	1.3%
7	Ensuring Program Integrity	53	3,477,530.84	1,287,744.60	55,324,260.62	60,089,536.06	41,217,923.89	18,871,612.17	29.5%
8	Processing Appeals	42.5	3,134,469.13	4,874,775.33	-	8,009,244.46	4,027,722.02	3,981,522.44	3.9%
9	Collection and Reporting of Information	1	186,971.76	-	3,289,245.17	3,476,216.93	2,005,490.33	1,470,726.60	1.7%
GA	General Administration	49	3,897,084.71	2,782,454.70	671,797.44	7,351,336.85	3,675,668.43	3,675,668.43	3.6%
	DMA's Total Title XIX Admin Resources	360	26,850,920.25	10,244,451.99	166,880,759.72	203,976,131.96	128,273,664.64	75,702,467.33	100.00%
	Other DMA Claimed Title XIX Expenditures (3)	-	-	52,692,458.69	-	52,692,458.69	51,381,572.10	1,310,886.60	
	Total DMA Resources	360(4)	26,850,920.25	62,936,910.68	166,880,759.72	256,668,590.65	179,655,236.73	77,013,353.92	

NOTES:

- (1) Total Computable Expenditure is the total of both federal and state expenditures
- (2) Non-Federal Share is the State's portion of expenditures
- (3) Other DMA claimed expenditures consist mostly of 100% federally funded payments
- (4) Position counts do not include vacancies

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Administrative Costs Incurred in Other DHHS Divisions									
	Disability Determination Section					5,317,998.64	2,658,999.32	2,658,999.32	
	Division of Public Health					9,879,947.62	5,564,278.98	4,315,668.64	
	Division of Central Administration					164,814,047.00	141,029,132.16	23,784,914.84	
	Division of Aging					1,251,001.85	625,500.93	625,500.92	
	Division of Child Development					49,304.63	24,652.32	24,652.31	
	Office of Education Services					63,156.00	31,578.00	31,578.00	
	Division of Social Services					238,290,743.33	119,403,365.23	118,887,378.10	
	Division of Health Services Regulation					7,911,281.82	4,652,223.64	3,259,058.18	
	Division of Vocational Rehabilitation Services					83,124.67	41,562.34	41,562.33	
	Division of Mental Health					96,689,334.43	52,560,655.54	44,128,678.89	
	TOTAL TITLE XIX ADMIN EXPENDITURES					781,018,530.64	506,247,185.19	274,771,345.45	

Attachment 4: Budgeted vs Actual Expenditures

2009 - 2011

(Excerpt from page 34 in the Performance Audit Report)

DMA Budget Code 14445				
Budgeted vs Actual Expenditures 2009 - 2011				
Fiscal Year	Actual	Certified Budget	Variance	Percent Over Certified Budget
2012	\$14,241,450,471	\$12,885,349,949	\$1,356,100,522	10.52%
2011	\$13,270,350,502	\$11,903,629,348	\$1,366,721,154	11.48%
2010	\$12,838,121,597	\$11,046,775,749	\$1,791,345,848	16.22%
2009	\$12,623,281,487	\$11,769,988,426	\$853,293,061	7.25%