

Report in Brief

Date: May 2024

Report No. A-09-22-02004

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



Why OIG Did This Audit

States are generally prohibited from claiming Federal reimbursement for Medicaid services, other than treatment of an emergency medical condition, provided to certain noncitizens with unsatisfactory immigration status (UIS). However, California's Medicaid program extends coverage beyond limited Federal Medicaid benefits to these noncitizens and would generally need to pay for nonemergency services using State funds. California applied a proxy percentage (39.87 percent) to capitation payments made on behalf of noncitizens with UIS to identify costs of providing nonemergency services and to avoid claiming Federal reimbursement for these costs. CMS requested that we conduct this audit. Our objective was to determine whether California claimed Federal Medicaid reimbursement for capitation payments made on behalf of noncitizens with UIS in accordance with Federal requirements.

How OIG Did This Audit

Our audit covered \$888.8 million (\$372.9 million Federal share) for managed care capitation payments made on behalf of noncitizens with UIS from October 1, 2018, through June 30, 2019. We first determined whether California's proxy percentage correctly accounted for the costs of providing nonemergency services by calculating a new percentage using managed care encounter data. Then, we applied this percentage to the capitation payments to determine the allowability of managed care claims.

California Improperly Claimed \$52.7 Million in Federal Medicaid Reimbursement for Capitation Payments Made on Behalf of Noncitizens With Unsatisfactory Immigration Status

What OIG Found

Of the \$372.9 million in total Federal Medicaid reimbursement for capitation payments made on behalf of noncitizens with UIS, California did not claim \$52.7 million in accordance with Federal requirements. Specifically, the proxy percentage (39.87 percent) that California applied to capitation payments did not correctly account for the costs of providing nonemergency services to noncitizens with UIS. This proxy percentage was 8.49 percentage points lower than the percentage that we calculated (48.36 percent).

California improperly claimed \$52.7 million in Federal Medicaid reimbursement because it continued to use the proxy percentage that was developed in the early 2000s without assessing whether the percentage correctly accounted for the costs of providing nonemergency services to noncitizens with UIS under managed care. In addition, California did not have any policies and procedures for assessing and periodically reassessing the proxy percentage.

What OIG Recommends and California's Comments

We recommend that California: (1) refund to the Federal Government the improperly claimed Federal reimbursement of \$52.7 million for capitation payments made on behalf of noncitizens with UIS and (2) work with CMS to determine the amount of any improperly claimed Federal reimbursement for capitation payments made on behalf of noncitizens with UIS for an agreed-upon period not covered by our audit.

California partially concurred with our first recommendation and concurred with our second recommendation. For our first recommendation, California stated that it does not contest the recommendation but that it is unable to replicate or concur with our recalculated proxy percentage and calculated refund amount; it proposed to return the funds through a manual process.

We acknowledge California's difficulty in replicating our recalculated proxy percentage and calculated refund amount. By refunding the \$52.7 million to the Federal Government using a manual process, the State agency would address our first recommendation.