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State/Territory Name: Pennsylvania

State Plan Amendment (SPA) #: PA-15-0018

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
150 S. Independence Mall West
Suite 216, The Public Ledger Building
Philadelphia, Pennsylvania 19106-3499



Region III/Division of Medicaid and Children's Health Operations

SWIFT #050720154098

JUL 02 2015

Theodore Dallas
Secretary of Human Services
Department of Human Services
Room 333, Health & Welfare Building
P.O. Box 2675
Harrisburg, Pennsylvania 17105-2675

Dear Secretary Dallas:

The Centers for Medicare & Medicaid Services (CMS) has completed its review of Pennsylvania's (PA) State Plan Amendment (SPA) 15-0018. SPA PA-15-0018 relates to the Pennsylvania Department of Human Services' (DHS) Medicaid Recovery Audit Contractor (RAC) Program. Through SPA PA-15-0018 and related cover letter, DHS notified CMS of a transfer of the DHS' RAC contract from one vendor, CGI, to another vendor, HMS, and requested a waiver of the requirement that the RAC must have 1.0 Full Time Equivalent (FTE) Medical Director.

This SPA is approved with an effective date of June 1, 2015. Enclosed are:

1. The CMS Summary Page (CMS-179 form); and
2. The approved State Plan pages for PA-15-0018.

If you have any questions, please contact Mary McKeon at 215-861-4181.

Sincerely,

/s/

Francis McCullough
Associate Regional Administrator

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
15-0018

2. STATE
Pennsylvania

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
June 1, 2015

5. TYPE OF PLAN MATERIAL (*Check One*):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION:
Section 1902(a)(42)(B)(ii)(II)(aa) of the Social Security Act

7. FEDERAL BUDGET IMPACT:
a. FFY 2014 \$0

b. FFY 2015 \$0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

4.5.1 Medicaid Recovery Audit Contractor Program
Pages 36a, 36b and 36c

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (*If Applicable*):

4.5.1 Medicaid Recovery Audit Contractor Program
Pages 36a, 36b and 36c

10. SUBJECT OF AMENDMENT: Transfer of existing RAC contract from CGI to HMS and request for waiver of RAC FTE Medical Director requirement

11. GOVERNOR'S REVIEW (*Check One*):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED: Review and
approval authority has been delegated
to the Department of Human Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

/s/

13. TYPED NAME:

Theodore Dallas

14. TITLE:

Acting Secretary of Human Services

15. DATE SUBMITTED:

MAY - 6 2015

16. RETURN TO:

Commonwealth of Pennsylvania
Department of Human Services
Office of Medical Assistance Programs
Bureau of Policy, Analysis and Planning
P.O. Box 8046
Harrisburg, Pa. 17105

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

JUL 02 2015

PLAN APPROVED -- ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUN 01 2015

20. SIGNATURE OF REGIONAL OFFICIAL:

/s/

21. TYPED NAME:

Francis McCullough

22. TITLE:

Associate Regional Administrator

23. REMARKS:

Revision:

36a

State: Commonwealth of Pennsylvania

4.5.1 Medicaid Recovery Audit Contractor Program

<p><u>Citation</u></p> <p>Section 1902(a)(42)(B)(i) of the Social Security Act</p> <p>Section 1902(a)(42)(B)(II)(I) of the Act</p> <p>Section 1902(a)(42)(B)(ii)(II)(aa) of the Act</p>	<p><u>X</u> The State has established a program under which it will contract with one or more recovery audit contractors (RACs) for the purpose of identifying underpayments and overpayments of Medicaid claims under the State plan and under any waiver of the State plan.</p> <p>_____ The State is seeking an exception to establishing such program for the following reasons:</p> <p><u>X</u> The State/Medicaid agency has contracts of the types(s) listed in section 1902(a)(42)(B)(ii)(I) of the Act. All contracts meet the requirements of the statute. RAC's are consistent with the statute.</p> <p><i>Effective June 1, 2015 the Pennsylvania Department of Human Services' (DHS) will assign its current Recovery Audit Contractor (RAC) contract from CGI to HMS. Upon assignment from CGI to HMS, DHS will exercise the first two-year extension with HMS.</i></p> <p><i>With the approval of SPA TN 15-0018, CMS approves an exception from the 1.0 FTE Medical Director requirement at 42 CFR 455.508(b), applicable to the RAC entity.</i></p> <p>Place a check mark to provide assurance of the following:</p> <p><u>X</u> The State will make payments to the RAC(s) only from amounts recovered.</p> <p><u>X</u> The State will make payments to the RAC(s) on a contingent basis for collecting payments.</p> <p>The following payment methodology shall be used to determine State payments to Medicaid RACs for identification and recovery of overpayments (e.g., the percentage of the contingency fee):</p> <p><u>X</u> The State attests that the contingency fee rate paid to the Medicaid RAC will not exceed the highest rate paid to Medicare RACs, as published in the Federal Register.</p> <p>_____ The State attests that the contingency fee rate paid to the Medicaid RAC will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will only submit for FFP up to the amount equivalent to that published rate.</p>
<p>Section 1902(a)(42)(B)(ii)(II)(bb) of the Act</p>	<p>_____ The contingency fee rate paid to the Medicaid RAC that will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will submit a justification for that rate and will submit for FFP for the full amount of the contingency fee.</p>

TN 15-0018

Supersedes

TN No. 10-021

Approval Date:

JUL 02 2015

Effective Date: June 1, 2015

Revision:

36b

State: Commonwealth of Pennsylvania

4.5.1 Medicaid Recovery Audit Contractor Program

Section 1902(a)(42)(B)(ii)(II) of the Act	<p><u>X</u> The following payment methodology shall be used to determine State payments to Medicaid RACs for the identification of underpayments (e.g., amount of flat fee, the percentage of the contingency fee):</p> <p><i>The payment methodology is contingency fee-based.</i></p>
Section 1902(a)(42)(B)(II)(IV)(aa) of the act	<p><i>DHS and HMS will collaborate in the development, execution, and recovery aspects of retrospective provider reviews in the Fee-for-Service delivery system as opposed to conducting state and RAC reviews separately and distinctly. This approach will provide DHS the opportunity to alleviate any gaps with our RAC coverage while integrating HMS collaboratively into one state provider review program. We believe this approach will maximize resources, modernize and enhance program integrity efforts, and increase recoveries.</i></p>
Section 1902(a)(42)(B)(II)(LV)(bb) of the Act	
Section 1902(a)(42)(B)(ii)(IV)(cc) of the Act	<p><i>Contingency fees are deducted from recoveries before the federal and state share split. For example, if the state recovers \$5 million and the RAC recovers \$5 million (\$10 million total), the federal government would get FFP for the full \$5 million recovered by the state, but would only get FFP for \$4.5 million of the RAC recovery (since the contingency fees are deducted first).</i></p> <p><i>With our proposal, if the state and RAC recover a total of \$10 million through collaborative review efforts, the federal government would get FFP for \$9 million (after the contingency fees are deducted), rather than \$9.5 million. However, we believe that increased recoveries will be more than sufficient to overcome the additional contingency fee HMS would earn with the broader review universe. In general, we anticipate that both Pennsylvania and the federal government will experience increased recoveries through this collaborative review process and broader scope. Pennsylvania will note on the CMS 64 any changes in FFP due to these operational and process improvements.</i></p> <p><u>X</u> The State has an adequate appeal process in place for entities to appeal any adverse determination made by the Medicaid RAC(s).</p> <p><u>X</u> The State assures that the amounts expended by the State to carry out the program will be amounts expended as necessary for the proper and efficient administration of the State plan or a waiver of the plan.</p> <p><u>X</u> The State assures that the recovered amounts will be subject to a State's quarterly expenditure estimates and funding of the State's share.</p> <p><u>X</u> Efforts of the Medicaid RAC(s) will be coordinated with</p>

TN 15-0018

Supersedes

TN No. 10-021

Approval Date: JUL 02 2015

Effective Date: June 1, 2015

Revision:

36c

State: Commonwealth of Pennsylvania

4.5.1 Medicaid Recovery Audit Contractor Program

	other contractors or entities performing audits of entities receiving payments under the State plan or waiver in the State, and/or State and Federal law enforcement entities and the CMS Medicaid Integrity Program.
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TN 15-0018
Supercedes
TN No. 10-021

Approval Date: JUL 02 2015 Effective Date: June 1, 2015