



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Region IX

Division of Medicaid & Children's Health Operations

90 Seventh Street, Suite 5-300 (5W)

San Francisco, CA 94103-6706

FEB 10 2011

Patricia McManaman
Director, Department of Human Services
P.O. Box 339
Honolulu, HI 96809-0339

Dear Ms. McManaman:

Enclosed is an approved copy of Hawaii State Plan Amendment (SPA) No. 10-011 which establishes a Recovery Audit Contractor (RAC) program to contract with one or more Medicaid contractors for the purpose of identifying underpayments and overpayments with respect to all services for which payment is made to any entity under Hawaii's State Plan or approved waiver. This SPA is effective December 31, 2010.

If you have any questions, please feel free to contact Torris Smith at (415) 744-3599 or Torris.Smith@cms.hhs.gov.

Sincerely,

Gloria Nagle
Associate Regional Administrator
Division of Medicaid & Children's Health Operations

cc: Kenneth Fink, Med-QUEST Administrator
Michele Bowser, CMS Center for Medicaid and State Operations
Mary Rydell, Pacific Area Representative

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 10-011	2. STATE HAWAII
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) MEDICAL ASSISTANCE	
FOR: HEALTH CARE FINANCING ADMINISTRATION		4. PROPOSED EFFECTIVE DATE December 31, 2010
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

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: 1902 (a)(42)(B) of the Social Security Act	7. FEDERAL BUDGET IMPACT: a. FFY 2011 \$ 0.00 b. FFY 2012 \$ 0.00
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Section 4.5, page 80 and 80a (new)	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

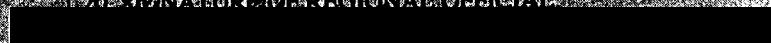
10. SUBJECT OF AMENDMENT: To establish the Recovery Audit Contractor (RAC) program to contract with one or more Medicaid contractors for the purpose of identifying underpayments and overpayments and recouping overpayments with respect to all services for which payment is made to any entity under our State plan or approved waiver.

11. GOVERNOR'S REVIEW (Check One):

- GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED AS APPROVED BY GOVERNOR
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO:
13. TYPED NAME: Kenneth S. Fink, MD, MGA, MPH	
14. TITLE: Med-QUEST Division Administrator	
15. DATE SUBMITTED: December 30, 2010	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 12/31/10	18. DATE APPROVED: 12/31/10
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL:	20. SIGNATURE OF REGIONAL OFFICIAL: 
21. TYPED NAME: Gloria Nagle, PhD, MPA	22. TITLE: Assistant Regional Administrator, DMCHD

23. REMARKS:
Pen and Ink Change for section 4.5 part (a) of the Social Security Act (42)(bb) of the Act. The methodology box was unchecked for underpayments and the specific underpayment methodology was not noted. The box has been checked & the methodology has been noted as "Contingency Fee".

STATE OF PLANN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: HAWAII

SECTION 4 – GENERAL PROGRAM ADMINISTRATION

4.5 Medicaid Recovery Audit Contractor Program

Citation:

Section 1902(a)(41)(B)(i) of the Social Security Act

- 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.
- The State is seeking an exception to establishing such program for the following reasons:

Section 1902(a)(42)(B)(ii)(I) of the Social Security Act

- The State Medicaid agency has contracts of the type(s) listed in section 1902(a)(42)(B)(ii)(I) of the Act. All contracts meet the requirements of the statute. RACs are consistent with the statute.

Place a check mark to provide assurance of the following:

- The State will make payments to the RAC(s) only from amounts recovered.
- The State will make payments to the RAC(s) on a contingent basis for collecting overpayments.

Section 1902 (a)(42)(B)(ii)(I)(aa) of the Social Security Act

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):

- 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.
- 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.
- 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.

TN No. 10-011
Supersedes
TN No. new

Approval Date: 2/10/11

Effective Date: December 31, 2010

STATE OF PLANN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: HAWAII

SECTION 4 – GENERAL PROGRAM ADMINISTRATION

4.5 Medicaid Recovery Audit Contractor Program

Citation:Section 1902 (a)(42)(B)(ii)(II)(bb)
of the Social Security Act

- 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): **“Contingency Fee”**.

Section 1902 (a)(42)(B)(ii)(III) of
the Social Security Act

- The State has an adequate appeal process in place for entities to appeal any adverse determination made by the Medicaid RAC(s).

Section 1902 (a)(42)(B)(ii)(IV)(aa)
of the Social Security Act

- 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.

Section 1902(a)(42)(B)(ii)(IV)(bb)
of the Social Security Act

- The State assures that the recovered amounts will be subject to a State's quarterly expenditure estimates and funding of the State's share.

Section 1902 (a)(42)(B)(ii)(IV)(cc)
of the Social Security Act

- Efforts of the Medicaid RAC(s) will be coordinated with 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.

TN No. 10-011
Supersedes
TN No. new

Approval Date: 2/10/11

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