Interpreting Trends in Spending Data: Effect of Prior Period Adjustments

In order to receive federal matching funds, states must report Medicaid expenditures quarterly to the Centers for Medicare & Medicaid Services (CMS) on Form CMS-64 (CMS-64).[1] The CMS-64 is a series of forms capturing expenditure data for different aspects of state Medicaid programs, such as waivers and populations with different federal matching rates.[2] Because of this tie to federal match and the regularity of reporting, the CMS-64 data is considered to be the most timely and reliable source of data on aggregate Medicaid spending. MACPAC frequently uses these data to analyze spending on benefits and administration at the state level.

States report expenditures on the CMS-64 across several service categories, including some categories such as supplemental payments and drug rebates that are generally not reported in other federal data sources. CMS aggregates expenditures across all of the various forms to calculate a state's total spending and the corresponding federal share, and compiles this into the net expenditures financial management report (net FMR). While the net FMR is an accurate accounting of expenditures within the year, it sometimes appears to show an anomalous amount of spending for a specific state, service, or population. For example, a state may report negative spending for a particular service during a fiscal year (FY). This is because the net FMR includes spending on services paid during the reporting quarter as well as prior period adjustments, which are increases and decreases made to expenditures previously reported on a prior CMS-64 filing. These adjustments result from regular business processes (e.g., overpayment recoupments) and oversight activities to ensure that states receive the appropriate amount of federal matching funds (e.g., corrections that reclassify spending into the appropriate services or populations). In some circumstances, realigning prior period adjustments back to the period to which they apply may provide a more representative picture and improve understanding of spending trends.

This issue brief focuses on how prior period adjustments can affect reported spending. It begins with background on state requirements for reporting expenditures. It then presents analyses to compare spending reported on the net FMR to amounts that have been adjusted to realign prior period adjustments back to the period to which they apply. The realigned expenditures can remove variation that is solely a function of the timing of reporting, allowing comparison of spending data that are more representative of changes during that time period in enrollment, utilization, or policy. The brief then discusses why prior period adjustments are important in understanding spending trends and what implications they may have for policy analysis and design.

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State Expenditure Reporting

Medicaid financing is a shared responsibility of the federal government and the states. Under Title XIX of the Social Security Act (the Act), states are entitled to federal reimbursement for a portion of their total program costs. Federal reimbursement is determined by the state's federal medical assistance percentage (FMAP). In order to receive reimbursement, states must submit their expenditures to CMS. Specifically, on a quarterly basis, states report summarized Medicaid expenditures on the CMS-64, which serves as the basis for the amount of federal funds paid to states.[3]

As part of their submissions, states certify that their reported expenditures are actual expenditures allowable under federal requirements. Supporting documentation for the amounts reported on the CMS-64 must be readily available for review by CMS as necessary. CMS ensures that reported expenditures are allowable and has the authority to defer questionable expenditures or disallow improper expenditures (CMS 2020a).

States are required to report their expenditures to CMS within 30 days of the end of each quarter. They may also adjust their reporting for prior periods for up to two years after the expenditure was made, referred to as the two-year filing limit. Expenditures reported after this limit are generally not eligible for federal match, with certain exceptions.[4] All adjustments must reflect the category of services being adjusted and reflect the FMAP at the time the expenditure was originally incurred (GAO 2018).

Prior period adjustments may be made for a variety of reasons, including:

- retroactive payment changes,
- cost settlements,
- recoupment from managed care plans (e.g., minimum medical loss ratio),
- reclassifications of expenditures,
- corrections of errors, or
- resolution of deferrals or disallowances.

Additionally, if a state is unable to develop and document a claim for expenditures on a current basis, it should not report the expenditure until the actual amount, supported by final documentation, has been determined. The state then reports that amount on a future CMS-64 submission as a prior period adjustment (CMS 2020b).

These prior period adjustments are a natural result of business processes and oversight activities to ensure that states receive the appropriate amount of federal matching funds. The two-year filing limit means that analysts should wait at least two years to get a more complete estimate of the amount of prior period adjustments and their effects on spending for a particular year.

Realigning Prior Period Adjustments

We typically see fluctuations in year-to-year spending reported on the net FMR, particularly when analyzing spending at the state- or service-level. These fluctuations may be the result of changes in enrollment (e.g., Medicaid expansion), policies (e.g., fee schedule change), or delivery systems (e.g., managed care implementation). However, they may also be the result of prior period adjustments.

Prior period adjustments can create large variations in spending that primarily reflect the timing of when they are reported. We can realign the prior period adjustments back to the period to which they apply to remove this variation. For example, we could realign FY 2016 spending by removing prior period adjustments from the FY 2016 net FMR expenditures that applied to FYs 2015 or earlier, while adding in prior period adjustments for FY 2016 expenditures reported in FYs 2017 and 2018. After realignment, the resulting trends should provide a more realistic picture of spending during that time period. To assess the effect of prior period adjustments on Medicaid spending trends, we conducted a series of analyses to realign prior period adjustments.

The Patient Protection and Affordable Care Act (ACA, P.L. 111-148, as amended), expanded Medicaid to a new optional beneficiary population, the new adult group, with a separate matching rate.[5] Because of the different FMAP, states must separately report expenditures for the new adult group.[6] CMS issued a series of new forms to capture both enrollment and spending for the new adult group. As part of a new spending report focused on the new adult group, CMS implemented an option within its reporting systems to automatically realign prior period adjustments through a specified reporting quarter (e.g., FY 2016 expenditures including adjustments through the quarter ending September 30, 2018). This means we can easily realign prior period adjustments for FYs 2014 and onward.

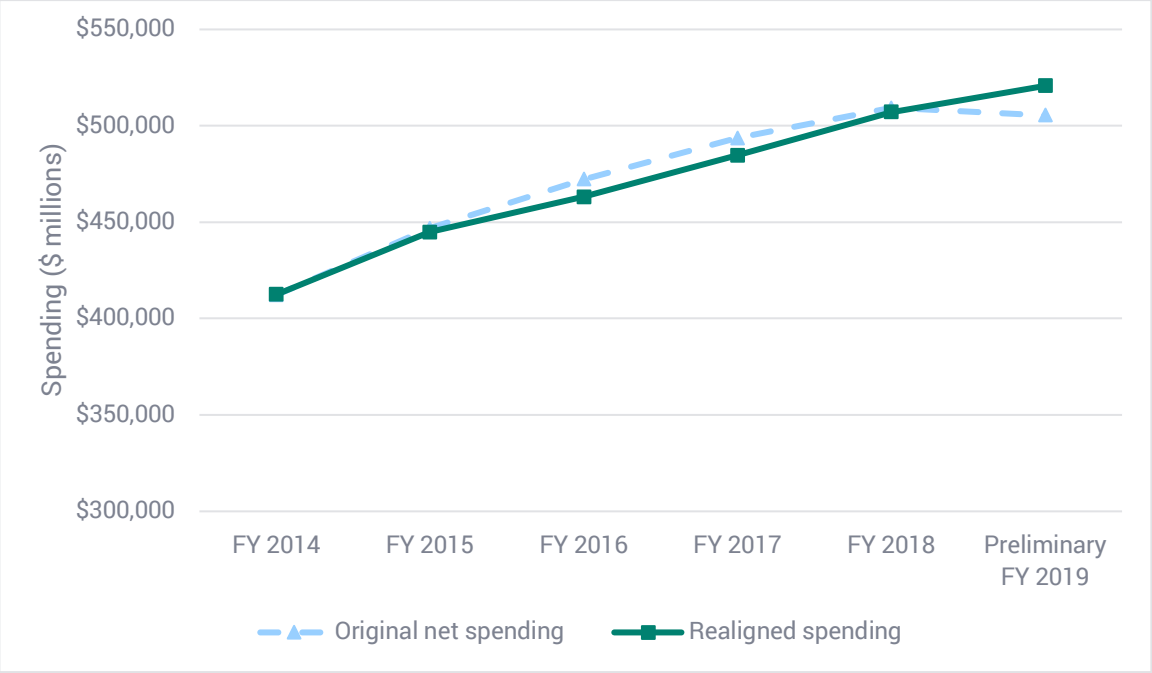
For our analyses, we calculated benefit spending using the net FMR for each state in FYs 2014–2019 and then recalculated spending by realigning the prior period adjustments. We included prior period adjustments made through September 30, 2019 for FYs 2014–2018. The results for FY 2019 are preliminary and only reflect the removal of prior period adjustments made during that year. We could not add any adjustments made in subsequent quarters as states had not reported spending beyond September 30, 2019 at the time of the analysis. As a result, the FY 2019 estimates are likely to change in the future.

Realigning prior period adjustments generally does not affect total national expenditures but can be significant for certain states and services. This is particularly true for spending on the new adult group in the first few years of expansion. Many states ultimately recouped money from managed care plans as a result of risk mitigation strategies.[7] Realignment shows that spending for the new adult group was ultimately lower than initially reported on the net FMR in FYs 2014 and 2015, and that spending in subsequent years is higher once these recoupments are removed. We also show how prior period adjustments can affect our ability to compare the territories' spending to their annual allotments and estimate when they may exhaust their Medicaid funding. Finally, we show how realigning prior period adjustments can provide a more accurate picture at the service level such as the distribution of drug rebates between fee for service (FFS) and managed care.

Total benefit spending trends

At the national level, realigning the prior period adjustments did not substantially affect total Medicaid benefit spending for FYs 2014–2019 (Figure 1). This is for two reasons. First, many states did not make substantial prior period adjustments in any single year during this time period, so the amount of adjustments removed were generally matched by adjustments made in subsequent periods. Second, in most states, the adjustments are generally not large enough to affect the national total. For example, a $1 billion change in spending due to prior period adjustments would represent over a 10 percent increase in more than half of the states, but would result in less than a 1 percent change at the national level. Only a few large states, such as California or New York, could have a significant effect on the national total. Please note that California has been excluded from Figure 1 due to anomalous prior period adjustments that affect FYs 2016 and 2017. These anomalies in California will be discussed later.

Figure 1. Comparison of Original Net Benefit Spending and Realigned Benefit Spending, FYs 2014–2019



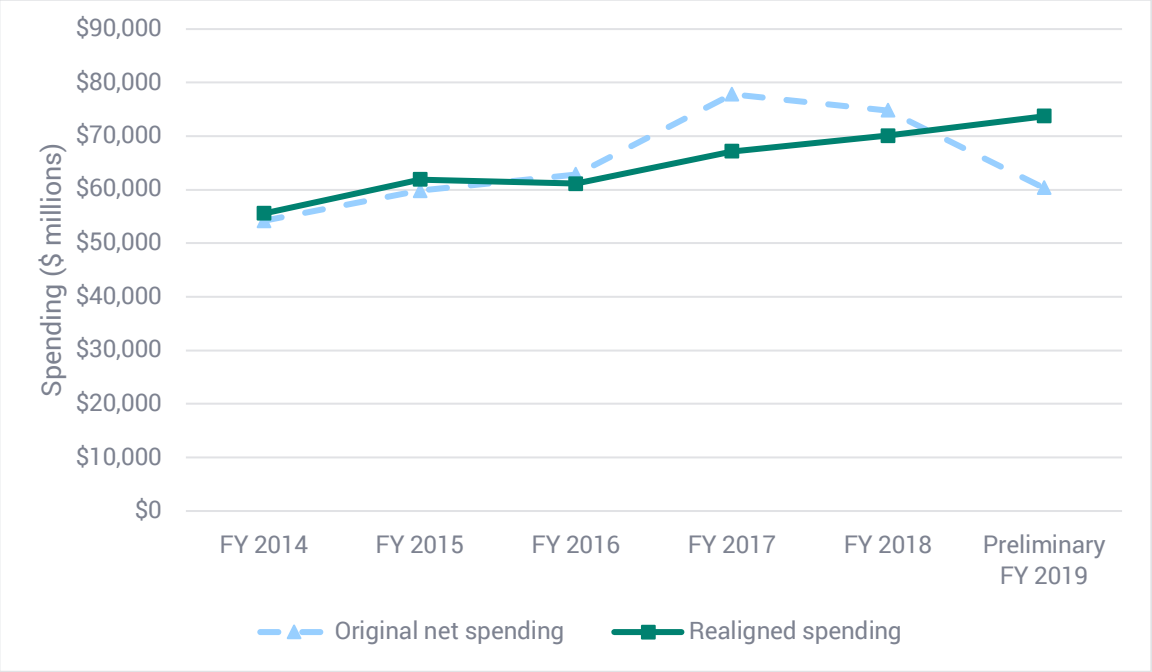
Notes: FY is fiscal year. Includes federal and state funds. Excludes California and the territories. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as they do not account for any adjustments that may be made in future quarterly reporting.

Sources: MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

However, realigning adjustments creates substantial differences for a few states. Below we provide a few examples of how realigning prior period adjustments reduces the year to year changes in total benefit spending seen on the net FMR, smoothing out the trend.

Based on the original net expenditures, total benefit spending in New York increased 23.8 percent in FY 2017, followed by decreases of 3.9 percent in FY 2018 and 19.3 percent in FY 2019 (Figure 2). After realigning the prior period adjustments, we see instead see a steady increase over these years of 9.9 percent in FY 2017, 4.3 percent in FY 2018, and 5.2 percent in FY 2019. It appears that the adjustments made in FY 2019 reduced spending in FYs 2017 and 2018; the shift of these negative adjustments to the applicable year correspondingly increased spending for FY 2019.

Figure 2. Comparison of Original Net Benefit Spending and Realigned Benefit Spending for New York, FYs 2014–2019

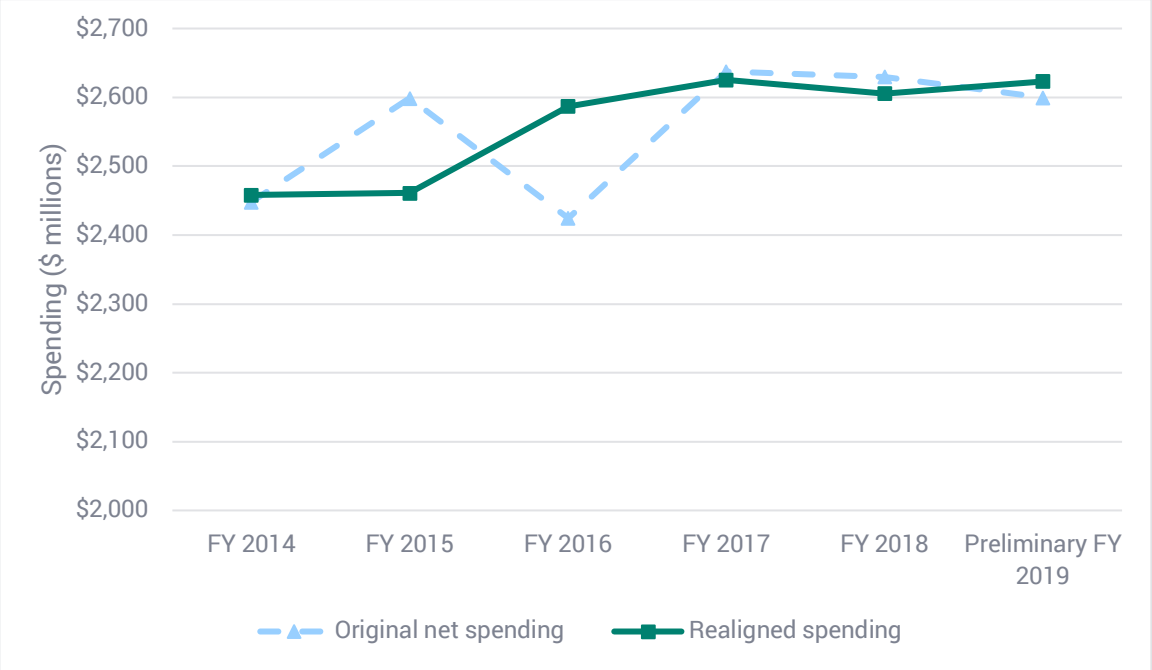


Notes: FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as they do not account for any adjustments that may be made in future quarterly reporting.

Sources: MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

Based on its original net expenditures, Rhode Island experienced large swings in total benefit spending from FY 2014 to FY 2017 (Figure 3). Total benefit spending increased 6.1 percent in FY 2015, decreased 6.7 percent in FY 2016, and then increased 8.8 percent in FY 2017. After realigning the prior period adjustments, we see an increase over these years of 0.1 percent, 5.1 percent, and 1.5 percent respectively. It appears that prior period adjustments made in FY 2016 reduced spending in FY 2015; the shift of these negative adjustments to the applicable year correspondingly increased spending for FY 2016.

Figure 3. Comparison of Original Net Benefit Spending and Realigned Benefit Spending for Rhode Island, FYs 2014–2019

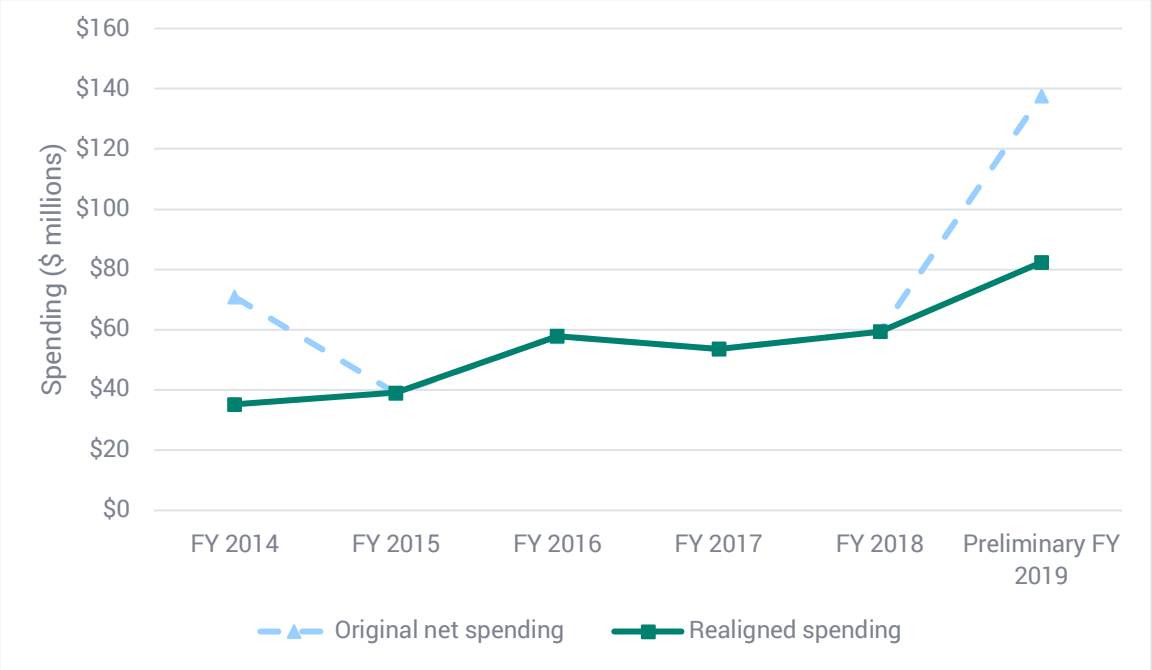


Notes: FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as they do not account for any adjustments that may be made in future quarterly reporting.

Sources: MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

Based on the original net expenditures, the U.S. Virgin Islands had unusually large spending in FY 2014 and FY 2019 compared to the other years (Figure 4). After realigning the prior period adjustments, spending for these years is more in line with the other years. It appears that large, positive prior period adjustments in FY 2014 were made to previous years. Additionally, it appears that large, positive prior period adjustments in FY 2019 also applied to years prior to FY 2014. This shows that it may be misleading if we use FY 2019 spending on the net FMR to project when the U.S. Virgin Islands may exhaust its funding in future years.

Figure 4. Comparison of Original Net Benefit Spending and Realigned Benefit Spending for U.S. Virgin Islands, FYs 2014–2019



Notes: FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned prior period adjustment spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as they do not account for any adjustments that may be made in future quarterly reporting.

Sources: MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

New adult group spending trends

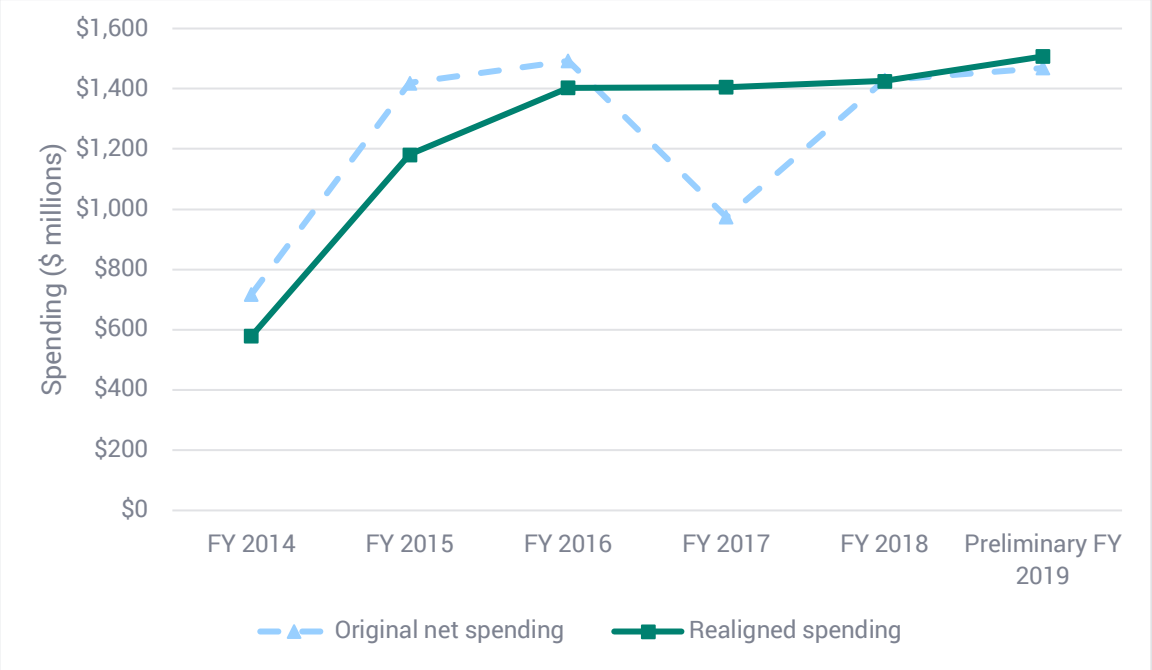
Policy analysts have relied on spending and enrollment data from the CMS-64 to analyze spending for the new adult group. Based on the initial amounts reported on the net FMR in FYs 2014 and 2015, some policymakers expressed concern that spending for these enrollees was higher than expected and that Medicaid expansion would be more costly than predicted. However, some states made substantial prior period adjustments for the new adult group in subsequent periods that ultimately show that the final net cost of these enrollees during the first couple of years was lower than initially reported.

Many states enrolled the new adult group in managed care although there was little historical expenditure experience that could be used in rate setting. In light of this uncertainty, CMS required states to implement risk mitigation strategies such as risk corridors or minimum and maximum medical loss ratios (MLRs) (CMS 2013). Typically, it can take several years for states and managed care plans to settle the results of these risk mitigation arrangements. When states recoup money from plans or make any additional payments, states should report these as prior period adjustments in a subsequent quarter. Additionally,

some states may have experienced challenges in separately reporting expenditures for the new adult group and may have made prior period adjustments later to reclassify spending appropriately. Finally, CMS is conducting enhanced reviews of new adult group expenditures to ensure that the federal match paid to states was accurate. This additional financial oversight may result in more prior period adjustments to retroactively reclassify spending.

New Mexico's experience provides an example of this dynamic. Based on the original net expenditures, New Mexico experienced a large decrease in spending for the new adult group in FY 2017 (a 34.7 percent decrease) followed by a large increase the following year (a 46.8 percent increase) (Figure 5). After realigning the prior period adjustments, we see a modest increase in new adult group spending of 0.1 percent in FY 2017 and 1.5 percent in FY 2018. It appears that a large amount of negative prior period adjustments reduced spending in FYs 2014–2016. Once these adjustments were removed, FY 2017 spending was in line with the surrounding years. Because most of the spending for new adults was for capitation payments, the negative prior period adjustments in FY 2017 may reflect recoupments from managed care plans.

Figure 5. Comparison of Original Net Benefit Spending and Realigned Benefit Spending for the New Adult Group in New Mexico, FYs 2014–2019

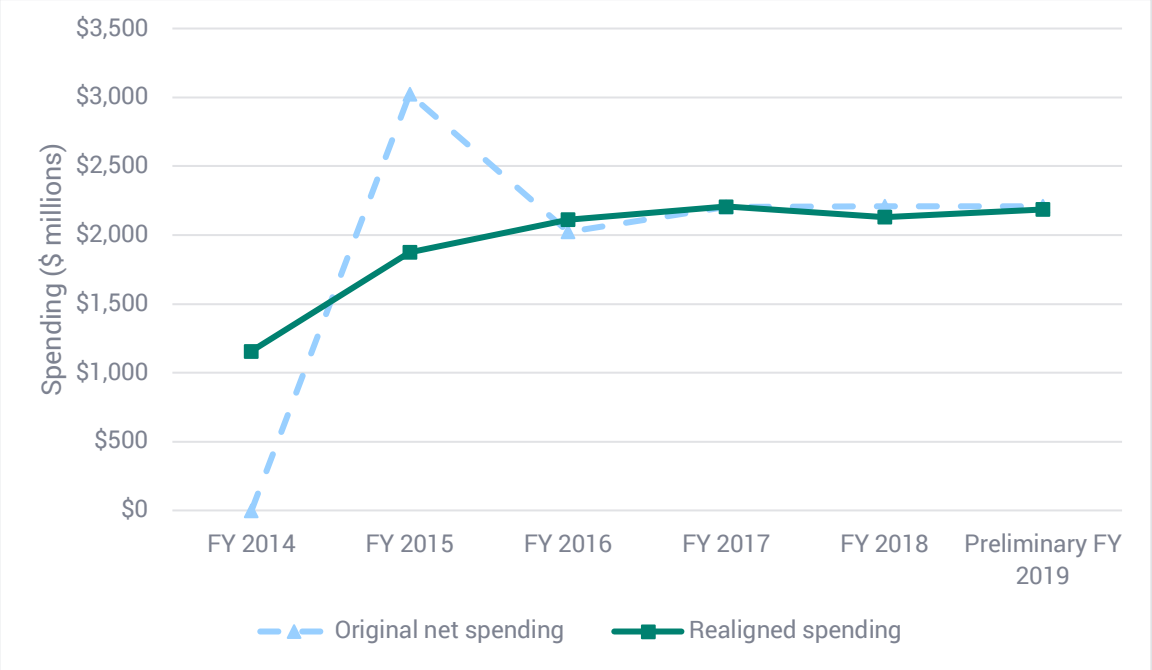


Notes: FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned prior period adjustment spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as they do not account for any adjustments that may be made in future quarterly reporting.

Sources: MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

Similarly, Massachusetts reported no expenditures for the new adult group on its FY 2014 net FMR (Figure 6). This was followed by $3.0 billion in spending in FY 2015 and $2.0 billion in FY 2016. After realigning the prior period adjustments, spending is now $1.2 billion in FY 2014 and $1.9 billion in FY 2015. Because Massachusetts had expanded coverage to certain non-disabled adults prior to the ACA, it may have been difficult for the state to separately report expenditures for these enrollees in FY 2014, leading the state to subsequently reclassify spending as that for the new adult group in FY 2015.

Figure 6. Comparison of Original Net Benefit Spending and Realigned Benefit Spending for the New Adult Group in Massachusetts, FYs 2014–2019

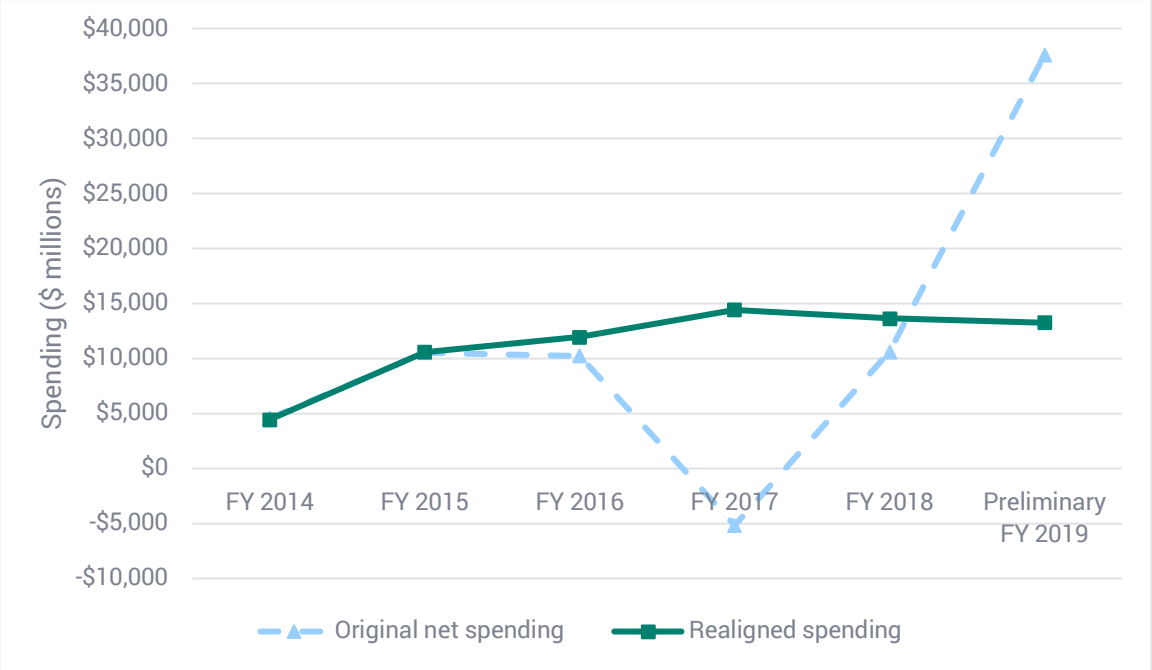


Notes: FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned prior period adjustment spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as they do not account for any adjustments that may be made in future quarterly reporting.

Sources: MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

The original net expenditures for New York show several significant data anomalies. In FY 2017 the state reported -$5.2 billion for the new adult group (Figure 7). Likewise, the preliminary FY 2019 expenditures show an increase over 250 percent from the prior year. Both of these years are extreme outliers compared to other states, particularly when calculating spending per enrollee. Moreover, in addition to the variations in the state's trend, the size of New York's spending also influences the national total. After realigning the prior period adjustments, spending for FY 2017 and FY 2019 falls in line with surrounding years. Much of the large, positive prior period adjustments in FY 2019 appear to offset the negative adjustments made in FY 2017.

Figure 7. Comparison of Original Net Benefit Spending and Realigned Benefit Spending for the New Adult Group in New York, FYs 2014–2019



Notes: FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned prior period adjustment spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as they do not account for any adjustments that may be made in future quarterly reporting.

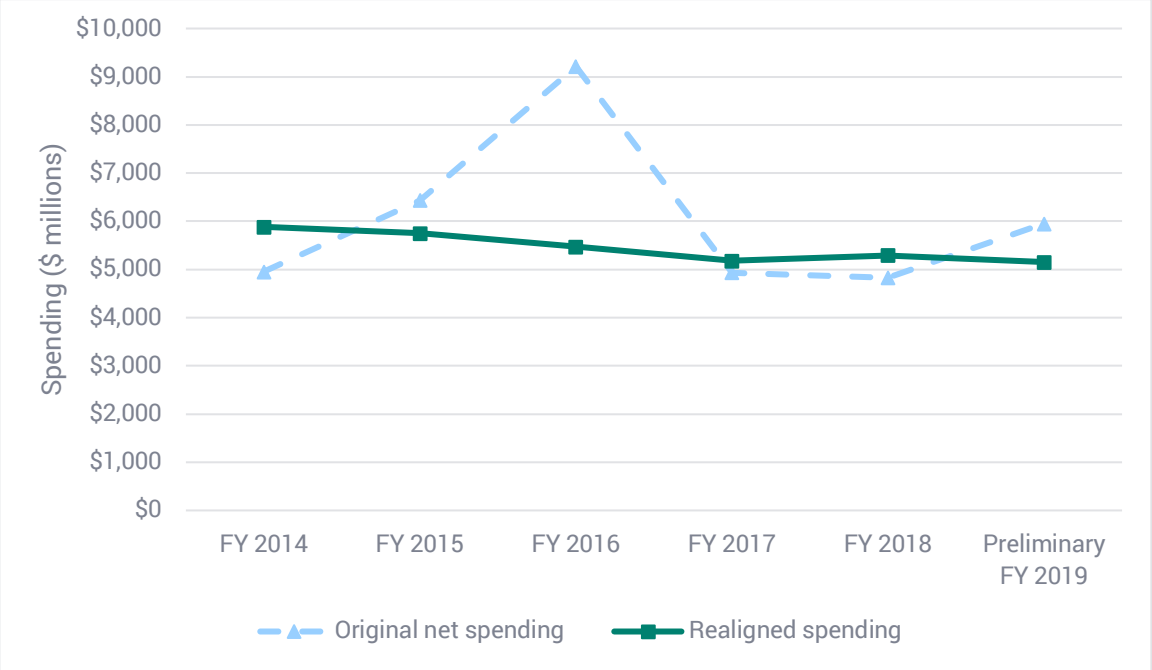
Sources: MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

Service spending trends

Prior period adjustments may result in significant increases or decreases in spending at the service level. Additionally, states may use prior period adjustments to reclassify spending from one service category to another, changing the distribution of spending over time. The following examples demonstrate how prior period adjustments may affect our understanding of inpatient hospital spending trends and how drug rebates are distributed between FFS and managed care.

Based on the original net expenditures, Texas experienced a large increase in inpatient hospital spending in FYs 2015 and 2016 (29.9 percent and 43.1 percent respectively), followed by a large decrease the following year (46.5 percent) (Figure 8). After realigning the prior period adjustments, we see a gradual decrease over this time period. It appears that a large amount of prior period adjustments in FY 2016 increased spending in FY 2014 and years prior. Once these adjustments have been removed, FY 2016 spending is in line with the surrounding years.

Figure 8. Comparison of Original Net Inpatient Hospital Spending and Realigned Inpatient Hospital Spending for Texas, FYs 2014–2019

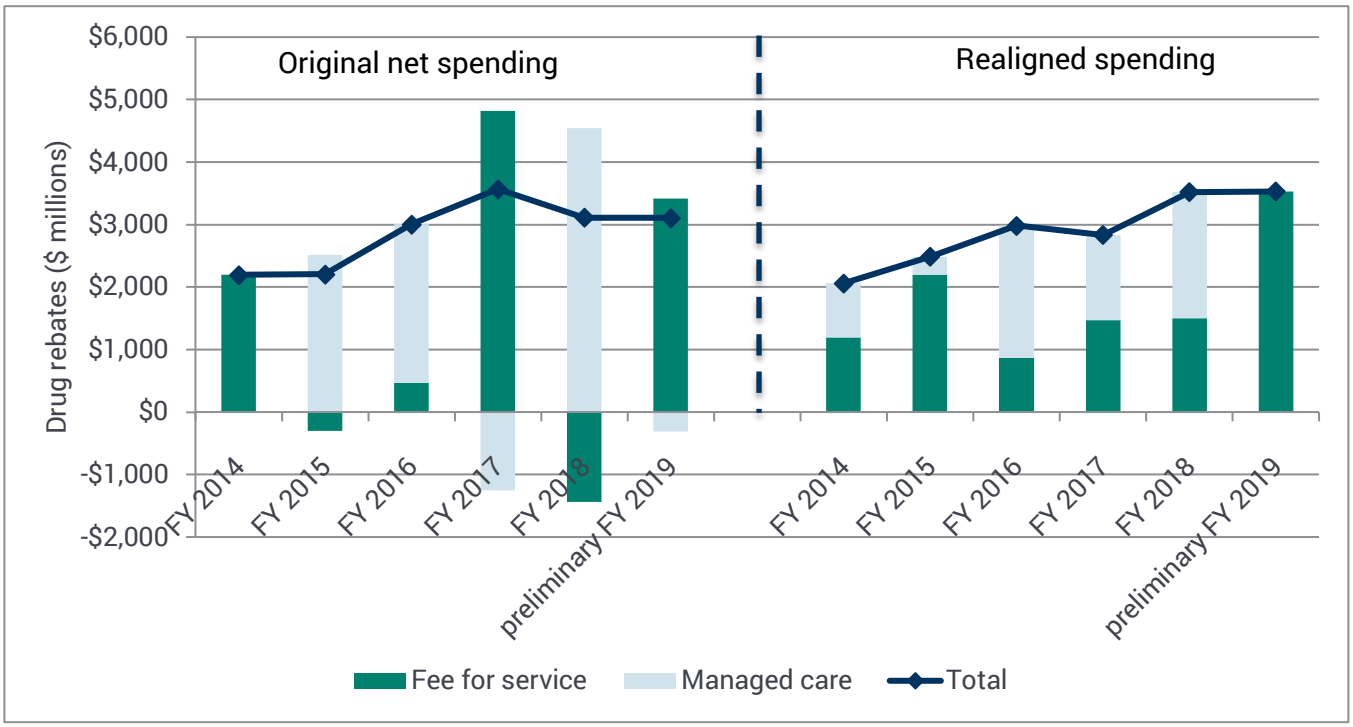


Notes: FY is fiscal year. Includes federal and state funds. Inpatient hospital spending includes base payments, disproportionate share hospital (DSH), and non-DSH supplemental payments. It does not include Section 1115 waiver payments that may have been classified in other service categories. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned prior period adjustment spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as they do not account for any adjustments that may be made in future quarterly reporting.

Sources: MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

On the CMS-64, states separately report drug rebates for FFS and managed care. Based on the original net expenditures, New York reported negative FFS drug rebates (i.e., increasing spending) for FYs 2015 and 2018 and negative managed care drug rebates for FYs 2017 and 2019 (Figure 9). After realigning the prior period adjustments, we no longer see negative rebates. Additionally, the realigned amounts for total rebates do not change substantially from what was reported on the net FMR. This indicates that much of the prior period adjustments for drug rebates, particularly for FYs 2017 and 2018, were likely reclassifications of rebates from FFS to managed care, and vice versa.

Figure 9. Comparison of Original Net Drug Rebates and Realigned Drug Rebates for New York by Delivery System, FYs 2014–2019



Notes: FY is fiscal year. Includes federal and state funds. Drug rebates are typically reported as negative spending amounts. For purposes of this exhibit, we display rebates as a positive amount, so that positive amounts shown here decrease spending and negative amounts increase spending. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned prior period adjustment spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as they do not account for any adjustments that may be made in future quarterly reporting.

Sources: MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

Why Prior Period Adjustments Matter

These examples show that prior period adjustments may result in large variations in spending for a specific state, population, or service. When policymakers analyze spending trends or assess current policy, spending data that has not been realigned can be misleading.

Both the net FMR and realigned prior period adjustments provide an accurate picture of spending. The usefulness of realigning these adjustments depends on the particular perspective of the analysis. For example, the net (or unaligned) FMR is an accurate representation of the cash flow for that particular year. Dollars for adjustments to prior periods were actually expended in the year they were reported, so the net FMR may be more appropriate for certain accounting or budgetary purposes.

By contrast, realigning the prior period adjustments may be appropriate for certain policy analyses to eliminate variation that is due to the timing of reporting. This may be particularly relevant when significant changes are made to the program, such as expansion under the ACA. For example, the CMS Office of the Actuary (OACT) usually uses the net FMR for estimates on the spending per enrollee in its annual actuarial report on Medicaid. However, OACT has acknowledged that states are expected to recoup money from managed care plans for the new adult group and significant amounts of prior period adjustments would be made in FYs 2016–2018 to reduce the initial amounts reported for earlier years. These recoupments address some of the initial concerns on the cost of the Medicaid expansion and bring spending for the new adult group closer to that of non-expansion adults. In its actuarial report, OACT did adjust its estimates for the new adult group in FYs 2016 and 2017 to exclude payments made to the federal government from the states for risk-sharing arrangements and MLRs to avoid distorting the trend (OACT 2018).

In some cases, the large variations in spending on the net FMR could have significant consequences. For example, as part of our work on the territories, we have used the CMS-64 data to compare territories' spending to their annual allotments and estimate when they may exhaust funding. Prior period adjustments would be applied against the respective year's allotment, so realigning the prior period adjustments would give us a better picture of how a territory's spending ultimately compares to that year's allotment. Additionally, we have been asked to estimate how much funding the territories need in the future. If we use a year in which a territory makes large prior period adjustments as our baseline for projections, such as the U.S. Virgin Islands did in FYs 2014 and 2019, we could greatly underestimate or overestimate a territory's future funding needs (Figure 4).

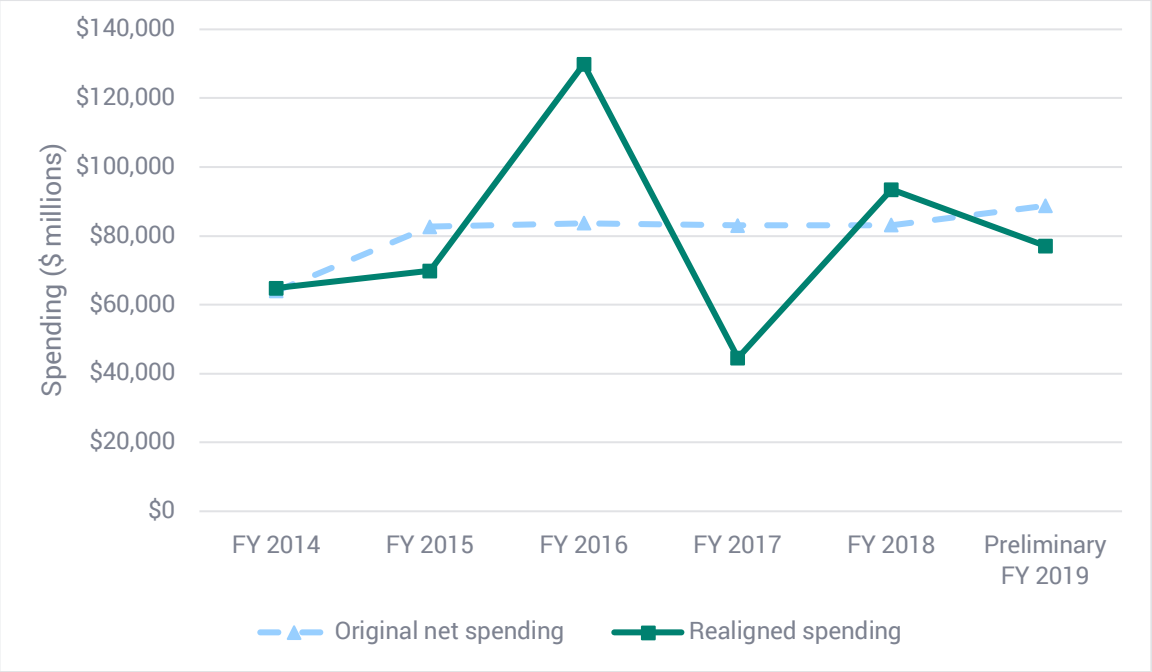
Prior proposals for block grants or per capita caps have put forward CMS-64 data as the basis for determining the amount of federal funds given to the state. In our prior work, we highlighted how the choice of a base year could have significant implications for states due to the variation in spending reported from year to year (MACPAC 2017). If the net FMR is used, a large amount of prior period adjustments in the year chosen as the base period could result in certain states receiving a block grant or cap that is too high or low; a high cap would shift more spending to the federal government while a low cap would result in underfunding the state's program. A rolling average could mitigate some of the year-to-year variation; however, it could still reflect some of the anomalies created by prior period adjustments. Realigning the prior period adjustments could lead to a more accurate estimate of the amount of spending required to provide services to the enrolled population during the base period.

Realigning prior period adjustments results in tradeoffs between accuracy and timeliness. States generally have two years in which to make prior period adjustments, so we would need to wait a minimum of two years before reporting on realigned expenditures. For example, to get a fairly complete picture of FY 2019 spending, we would want to incorporate any prior period adjustments made through FY 2021.

Additionally, while realignment may correct certain anomalies, it may also introduce new ones. For example, we excluded California from Figure 1 due to anomalous prior period adjustments that affect FYs 2016 and 2017. Based on the original net expenditures, California spent a little over $80 billion from FYs 2015 to 2018 (Figure 10). If we realign the prior period adjustments, we see a large shift in spending in FYs 2016 and 2017. FY 2016 increases from $83.7 billion to $129.9 billion (55 percent increase over the net expenditures) and FY 2017 decreases from $83.0 billion to $44.6 billion (53 percent decrease over the net

expenditures). These results appear questionable and subsequent adjustments may ultimately reverse some of these changes.

Figure 10. Comparison of Original Net Benefit Spending and Realigned Benefit Spending for California, FYs 2014–2019



Notes: Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned prior period adjustment spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as they do not account for any adjustments that may be made in future quarterly reporting.

Sources: MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

Endnotes

[1] Form CMS-64 is a statement of expenditures for which states are entitled to federal reimbursement under Title XIX and which reconciles the monetary advance made on the basis of Form CMS-37 filed previously for the same quarter.

[2] A blank template of the CMS-64 forms is available at: https://www.medicaid.gov/medicaid/downloads/chip-cms64-expenditure-forms.pdf.

[3] For more information on how states claim federal matching funds, please read MACPAC's issue brief, *Process and Oversight for State Claiming of Federal Medicaid Funds*.

[4] The two-year limit does not apply to any claim for any adjustment to prior year costs if they stem from audit findings, court-ordered retroactive payments, or where the state had good cause—as determined by CMS—to file late due to circumstances beyond the state's control (GAO 2018).

[5] The new adult group includes those enrollees who are eligible under Section 1902(a)(10)(A)(i)(VIII) of the Social Security Act. Newly eligible adults include those enrollees who are not eligible for Medicaid under the rules that a state had in place on December 1, 2009 and receive a federal matching rate of 100 percent in 2014 through 2016, phasing down to 90 percent in 2020 and subsequent years. Adults not considered not newly eligible include those enrollees who would have previously been eligible for Medicaid under the rules that a state had in place on December 1, 2009; this includes states that had already expanded to adults with incomes greater than 100 percent of the federal poverty level as of March 23, 2010 and receive the expansion state transitional matching rate.

[6] CMS sometimes refers to the new adult group as the VIII group. Expenditures for these populations are reported on Form CMS-64.9VIII.

[7] Due to the unusual level of uncertainty associated with the new adult group, CMS required states to implement risk mitigation strategies such as risk corridors or minimum and maximum medical loss ratios (MLRs) when setting the capitation rates for the new adult group (CMS 2013).

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