Department of Health & Human Services
Centers for Medicare & Medicaid Services
Division of Medicaid & Children's Health Operations
61 Forsyth St., Suite. 4T20
Atlanta, Georgia 30303-8909

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 22, 2008

William Lawrence, MD
Acting Director
Division of Medical Assistance
North Carolina Department of Health and Human Services
2501 Mail Service Center
Raleigh, North Carolina 27699-2501

Re: Deferral Control Number NC/2008/1/E/01/MAP

Dear Dr. Lawrence:

During our review of the Quarterly Medicaid Statement of Expenditures (Form CMS-64) report for the quarter ending December 31, 2007, we found that the State claimed Federal Financial Participation (FFP) in the amount of $175, 244,191 for Community Support services that may not be allowable. As a result, the Atlanta Regional Office is issuing a deferral in the amount of $175,244,191 Federal Financial Participation (FFP).

We recognize the extensive work that the Division of Medical Assistance has performed to improve Community Support Services, however; the RO will continue to defer any future Community Support Services medical assistance payment (MAP) claims until CMS is satisfied that abuses are no longer occurring in the program.

The deferral action will be processed, and will be included with the Finalization of the State's CMS-64 Q-1 FY 2008 Medicaid Grant Award. We are requesting that the State provide any additional documentation and related calculations in support of this claim within 60 days from the date of this letter. However, no response is necessary if you agree to make a decreasing adjustment on the next Form CMS-64 report for the quarter ending June 30, 2008. If you need additional time to assemble documentation, an extension of up to 60 additional days may be requested. Extension requests should be submitted to the Atlanta Regional Office.

If you have any questions or need additional information, please contact Joyce Wilkerson at (404) 562-7426, CMS-North Carolina Financial Analyst, Davida Kimble, Acting Manager, Financial and Program Operations Branch, at (404) 562-7496, or myself at (404)562-7430.

Sincerely,

Jay Gavens
Acting Associate Regional Administrator