



OFFICE OF INSPECTOR GENERAL OF MEDICAID SERVICES

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ISSUE BRIEF

SUMMARY

This issue brief provides information on two building block requests and an update to the Legislature on the implementation of HB 84 *Office of Inspector General of Medicaid Services* passed during the 2011 General Session. This brief is for informational purposes only and requires no Legislative action.

DISCUSSION AND ANALYSIS

HB 84 Office of Inspector General of Medicaid Services

HB 84 *Office of Inspector General of Medicaid Services* (<http://le.utah.gov/~2011/bills/hbillenr/hb0084.pdf>) creates within the Governor's Office of Planning and Budget the Office of Inspector General of Medicaid Services and mandates certain activities which are discussed here below:

1. **Creation of New Inspector General Office** - the office is tasked with identifying, preventing, and reducing fraud, waste, and abuse within the Medicaid program. The office receives all of the Department of Health's FY 2011 Medicaid program integrity funding as well as an additional \$819,100 total funds (\$300,000 General Fund) from the Department of Health. The Inspector General indicates that it has used the extra funds to pay for space rental, continuing software contracts, and the development of a data mining function.
2. **Inspector General Position** – the inspector general serves two year terms by appointment of the Governor with the consent of the Senate. The Inspector General received the Senate's consent in July 2011.
3. **Annual Report** – the Inspector General must provide an annual report to the Legislature by October 1 of each year and must present the report by November 30th each year to the Executive Appropriations Committee. Members of the Executive Appropriations Committee received the report via email by October 2011. The Social Services Appropriations Subcommittee heard the report presented at its October 20, 2011 meeting. The report covers the activities and results of the office's activities as well as suggested measures the Governor and the Legislature could take to reduce fraud, waste, and abuse in the Medicaid program. The report is Appendix A. Below are some of the highlights from the report:
 - a. "Mr. Auston Johnson, Utah State Auditor, agreed that an audit would be prudent in order to evaluate whether cash balances, cash collections, write off's, separation of duties controls, ROI and other key financial information for our office is accurately stated and materially correct. The primary concern relates to a weakness in internal control that has existed for many years. Cash collections have been housed within the office, and one person had access to checks, accounts receivable, and the medical review notes that identify money for collection." (page 1)
 - b. "The office released three performance audits during FY2011. The audit identified \$1 million in Medicaid costs that were recoverable during fiscal year 2011, and an additional \$3.9 million in future cost avoidance. Audits cited concerns such as inappropriate billings, unsubstantiated provider costs, and unaccounted for vaccines." (page 3)
 - c. "Audits conducted by the Program Integrity function of the Office of Inspector General of Medicaid Services recovered approximately \$10.1 million dollars in one-time state and federal Medicaid funds during fiscal year 2011." (page 4)

- d. “Based on estimated collections for fiscal year 2011, and compared to estimated cost, the unit produced an ROI of 691 percent on collections. For every dollar the State spends on program integrity efforts, the unit returns \$6.91.”(When you include the federal dollars) (page 5)
4. **Fraud Reporting** – the Legislation requires health care professionals as well as State of Utah and local government employees to report any suspected Medicaid fraud. The Legislation provides the option for the report to be anonymous. The Inspector General reports opening 20 cases from hotline calls and internet submissions through November 2011.
5. **Holding Medicaid Payments** – the Inspector General may hold provider payments long enough to determine if they constitute fraud and/or abuse. The Inspector General has exercised this authority once through November 2011.

\$138 General Fund Building Block Request

This \$138,000 request would fund three new full-time equivalent positions to expand the Fraud, Waste, and Abuse Program. The state receives a federal match to fund assist in funding these positions and the OIG has estimated \$151,000 of federal matching funds for this request. The requested funding and federal matching funds exceed the estimated salary and benefits costs by \$34,000. The \$34,000 has been identified for the funding of existing personnel costs.

Position Breakdown (estimated costs for the positions):

- 2 Program Specialist IIs: Focus on the Department of Workforce Services and eligibility issues in the state
 - Salaries, Benefits, and support costs - \$80,500 per person
 - These positions are matched 50% State and 50% Federal
 - Total State Cost \$80,500
- 1 Nurse Investigator: Focus primarily on outside providers.
 - Salaries, Benefits, and support costs - \$80,500 per person
 - These positions are matched 30% State and 70% Federal
 - Total State Cost \$23,500

Background

The Centers for Medicare and Medicaid (CMS) are requiring an increase in audit output by 40 percent beginning in FY 2013. CMS has developed the Payment Error Rate Measurement (PERM) Program in response to a Federal law passed in 2002, the Improper Payments Information Act (IPIA). The Improper Payments Elimination and Recovery Act of 2010 (IPERA) is an amendment to IPIA. PERM carries out the mandates from these two acts and Medicaid and CHIP have been identified as programs at risk for “significant improper payments.” The OIG has anticipated a doubling of its workload in FY 2013 due to Medicaid audits increasing, and from PERM beginning its oversight of the CHIP program.

The 40 percent mandate results from an increased estimated error rate for Medicaid eligibility in Utah. The increased error rate impacts the number of sample cases Utah is directed, by CMS, to audit in a measurement cycle. In PERM, statistical analysis is used to determine error rates for three different areas of Medicaid payments: Fee-for-Service (FFS), Managed Care, and Eligibility. All 50 states are tested in each of these three areas for erroneous payments. Following a three year measurement period, states are chosen for auditing in cycles, an auditing cycle lasts approximately 26 months. Following this audit, error rates are determined and the U.S. Department of Health and Human Services produces a report for each respective state with results and

analysis of the findings. FY 2010 is Utah's most recent PERM findings report. In this report, Utah's Medicaid Eligibility component estimated error rate is 4.5 percent, up from the 2007 estimated error rate of 1 percent.

CMS has provided preliminary sample sizes for auditing in FY 2013; the overall sample size for Utah is 3,540, a 2,219 case increase from FY 2010. The preliminary sample size for Eligibility active cases in FY 2013 is 1,476, a case increase of 972 from FY 2010; Eligibility negative cases for FY 2013 is 756, a 559 case increase from FY 2010. An important note with these numbers is they are preliminary and are due to change at the beginning of the FY 2013 cycle. This is the case with PERM in each cycle, the estimates are volatile and are due to change (increase or decrease depending on error rates and CMS estimates) with the beginning of each new three-year cycle.