UTAH OFFICE OF INSPECTOR GENERAL – MEDICAID SERVICES 2014 ANNUAL REPORT

9/23/2014

Inspector General – Medicaid Services

The Utah Office of Inspector General – Medicaid Services was established on July 1, 2011. The primary goal of the Office is to safeguard taxpayer assets through the reduction of waste, abuse, and fraud, while treating stakeholders fairly.

LEE WYCKOFF
Inspector General

Utah Office of Inspector General

September 23, 2014

TO: Governor Gary Herbert, President Wayne Niederhauser, Speaker Rebecca Lockhart, and The Executive Appropriations Subcommittee

SUBJECT: 2014 Annual Report for the Utah Office of Inspector General – Medicaid Services (Utah OIG)

Attached is the Utah Office of Inspector General's 2014 annual report to the Governor and the Executive Appropriations Subcommittee, in compliance with ***Utah Code 63A-13-502***. This report shows results for the Office for fiscal year 2014. The Utah OIG was created to serve as an independent oversight agency for the Utah Medicaid Program and all Medicaid related spending. This report presents progress achieved in State Fiscal Year (SFY) 2014.

I am available to meet with members of the subcommittee to discuss any item contained in this report, and answer any questions regarding the ongoing efforts of this office to identify waste, abuse, and fraud of Medicaid funds and the recoupment of those funds.

Sincerely,

Lee Wyckoff, CPA, CISA, CFE
Inspector General – Medicaid Services

cc: Justin Harding
Mike Mower
Aimee Edwards
Kristen Cox
David Patton, PhD
Michael Hales
Robert Rolfs, MD
Russ Fransden
Stephen Jardine
Gary Ricks
Health and Human Services Appropriations

Cannon Health Building, 288 North 1460 West, Salt Lake City, Utah 84116 · Mailing: PO Box 143103 Salt Lake City, Utah 84114-3103
telephone (801) 538-6087 · facsimile (801) 538-6382 · www.oig.utah.gov

DRIVING A MORE EFFICIENT STATE GOVERNMENT

2014 ANNUAL REPORT

Contents

Message from the Inspector General 3
Utah OIG Highlights 4
Cultural Transformation 4
Mission 5
Vision 5
Utah OIG Services and Functions 6
Achievements 7
Utah OIG Results (SFY 2014) 9
Fiscal Report – Year Ending June 30, 2014 9
Return on Investment (ROI) 9
Recovery Letter Outcomes 10
New in FY 2014 11
Office Summary for FY2014 12

Message from the Inspector General

Greetings,

As the Inspector General, it is my privilege to introduce the 2014 Annual Report for the Utah Office of Inspector General – Medicaid Services (Utah OIG). This year marks the third fiscal year since the inception of the Office in July 2011.

The Office is guided by House Bill 84, 4th Substitute (2011 GLS), which created the Office; House Bill 106, 3rd Substitute (2013 GLS), which established the Utah OIG as an independent entity within the Department of Administrative Services; and, Utah Administrative Code, Rule 30, which defines the scope and provisions necessary to administer the Office. The Utah OIG works diligently to provide the best oversight for the Utah Medicaid Program and all Medicaid related spending, while meeting both the letter and spirit of the Office's guiding principles and legislation.

The Utah OIG strives for continued partnership with Medicaid and all key stakeholders (providers, recipients, taxpayers, Medicaid); as well as, efficient, friendly customer service to those contacting the Office with problems, concerns or questions. We strive to balance the divergent and sometimes competing interests of multiple stakeholders; and seek to achieve balanced, win-win solutions whenever possible.

The Office partners closely with Medicaid on their policy updates to ensure clarity and accuracy for Medicaid providers and consistency with existing policy. Annually, we conduct Provider Training, in nearly all Utah counties. Training encourages provider participation in Utah's Medicaid program, while increasing awareness and transparency of Medicaid policies and Utah OIG compliance reviews. We work to develop relationships that will further the mission of the Utah OIG and add to the success of the Utah Medicaid program.

The Office strives to interact with providers in a manner that is minimally disruptive to patient care and business operations. The majority of provider interaction is conducted by mail, phone or email. On the rare occasion the Utah OIG visits a provider at their place of business, the visits are scheduled in advance to accommodate their schedules and minimize impact. The Utah OIG continues to accommodate and support the submission of secured electronic files from all providers who request this option.

It remains my privilege to serve as Inspector General for the State of Utah. I would like to congratulate and thank our team for all their hard work and efforts that continue to exceed expectations in a new and effective office. I also want to thank Governor Herbert and the Legislature for their ongoing support.

Sincerely,

Lee Wyckoff, CPA, CISA, CFE
Inspector General – Medicaid Services

Utah OIG Highlights

Cultural Transformation

Three years ago the Utah Office of Inspector General was a newly created independent entity established to provide oversight of Medicaid. Start-up oversight operations often encounter a great deal of cultural opposition when key stakeholders have competing or conflicting interests.

In the previous three years, the Utah OIG has made it a priority to consider stakeholder perspectives. When differences in interests occur, the Utah OIG strives to find solutions that benefit the providers, recipients, taxpayers and Medicaid. As a result, stakeholder relationships have improved dramatically to the cooperative state we see today.

Identifying and addressing waste and abuse within Medicaid can be advantageous to all stakeholders when solutions focus on the perspectives of multiple stakeholders. This has resulted in a positive cultural transformation. This positive transformation has been recognized among leaders within the healthcare provider community in Utah. For example, Daniel T. Ditto, Senior Legal Counsel for Intermountain Healthcare, Inc. states:

> ***… the relationship between the provider community and the Utah OIG has improved substantially since the inception of the Office of Inspector General.***
>
> Daniel T. Ditto, Senior Legal Counsel for Intermountain Healthcare, Inc.

"My perception is that the relationship between the provider community and the Utah OIG has improved substantially since the inception of the Office of Inspector General. These improvements have resulted in greater cooperation and efficiency and less waste on both the provider and the payer side of the equation."

John Oaks, Vice President, Government and Payer Relations for IASIS Healthcare, Utah Market states:

> ***…the Utah OIG has developed a collaborative approach which allows providers to cooperate with the Office in identifying and resolving payment errors--both overpayments and underpayments.***
>
> John Oaks
> Vice President, Government and Payer Relations IASIS Healthcare

"Prior to the creation of the Utah Office of Inspector General, some providers and legislators had very different perceptions and beliefs about waste, abuse, and fraud within Medicaid. Over time, the Utah OIG has developed a collaborative approach which allows providers to cooperate with the Office in identifying and resolving payment errors--both overpayments and underpayments. As a result, the work performed by the Utah OIG has resulted in all parties (the Utah OIG,

Providers and the Legislature) gaining a better understanding of the complexities of Medicaid reimbursement, and how to resolve discrepancies, resulting in a cooperative approach to doing the right thing!"

This culture of change has emerged from a systemic shift in how the Utah OIG conducts business. The Office offers numerous provider trainings; the Inspector General regularly meets with leaders in the provider community to hear their perspective; the Office makes policy recommendations that are preventive and proactive in nature, reducing the perception that change comes through punitive action.

This cultural transformation is reflected in our mission and vision.

Mission

The Utah OIG's mission is to safeguard taxpayer assets through the reduction of waste, abuse and fraud within the Utah Medicaid system, while treating all key stakeholders fairly.

Vision

1. Serve as an independent oversight agency for Utah Medicaid and related spending.

2. Support delivery of quality healthcare to the State's most vulnerable people for the best value.

3. Identify and reduce waste, abuse, and fraud.

4. Seek improvements in Medicaid payment accuracy and statutory compliance.

5. Promote interagency communication, cooperation and efficiency.

Utah OIG Services and Functions

The Utah OIG accomplishes its mission through four key interactive teams:

1. **Special Investigations and Medical Review**: Performs post payment reviews, mandated reviews and investigates Medicaid payments that are considered high risk.

2. **Performance Audit**: Reduces waste, abuse, and fraud through preventive control audits and independent reviews of key Medicaid and related agency processes.

3. **Data Analytics and Mining**: Uses research and advanced data analytics to increase the impact and efficiency of work performed by the Special Investigations and Medical Review, and Performance Audit teams.

4. **Policy, Professional Development and Finance**: Partners with Medicaid to conduct policy reviews and provider training across Utah. Documents and maintains current methods and identifies key improvement points. Maintains accountability of financial systems and processes.

Achievements

Utah OIG completed 31 provider outreach trainings, visiting nearly all Utah counties, and 4 professional groups during FY 2014, to help educate providers and reduce future instances of waste, abuse, and fraud.

The Special Investigations Unit (SIU) conducted 1,287 investigations, incorporating 8,418 medical claims in FY 2014. Investigations included Durable Medical Equipment (DME), Pharmacy, Home Health, Hospitals, Hospice, Physicians and Dental providers. The 8,418 medical claims included: 3,004 that required no action, 3,202 that received notification of a Utah OIG action, and 2,216 are currently in various stages of the review process.

The Performance Audit team released 15 audits with 56 recommendations to Medicaid in FY 2014. Medicaid agreed with all 56 recommendations and has already implemented 22 of them; the other 34 have scheduled implementation dates. The Utah OIG Audit team identified $1.3 million in federal match money that was inappropriately drawn down from CMS.

Utah OIG works with Medicaid to ensure policy updates and changes are clear and accurate. Utah OIG does not write policy. The Office reviews and enforces administrative policy written by the Utah Department of Health (UDOH).

During FY14, Utah OIG reviewed 53 Medicaid policies consisting of provider manuals, policy updates and notifications. Utah OIG made recommendations to Medicaid to help enhance 50 of the 53 policies reviewed.

Collaboration Initiatives:

- The Utah OIG Performance Audit team has enhanced the Medicaid partnership, which helps Medicaid strengthen their internal control structure, as demonstrated by the results above.

- In FY14, the Utah OIG Policy, Professional Development and Finance group furthered the Office's partnership with Medicaid through continuous review of policies, and conducting provider training.

- This year brought new and continued partnerships and collaboration initiatives to the Utah OIG through several investigations. The Office continues to partner with the Medicaid Fraud Control Unit (MFCU), Law Enforcement, The Attorney General's Office, Medicaid providers and ACO Special Investigation Units (SIUs) to further investigations involving Medicaid providers and recipients.

- To further collaboration with Medicaid providers and the accommodation of electronic files, a letter was sent informing providers submitting hardcopy files of secure electronic options available to them.

Improvements in collaborations with Medicaid are reflected in comments offered by W. David Patton, PhD, Executive Director, Utah Department of Health:

"The Utah OIG helps Medicaid identify inefficiencies and waste. Although waste and abuse represent a small percentage of our overall Medicaid budget, every taxpayer dollar is important. We have developed a collaborative partnership with the Utah OIG, and value that cooperation."

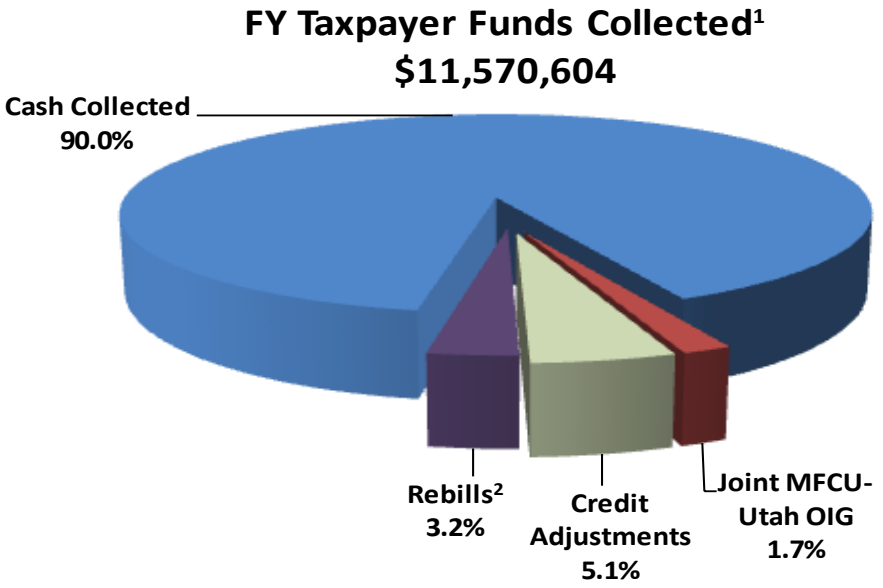
… We have developed a collaborative partnership with the Utah OIG, and value that cooperation.

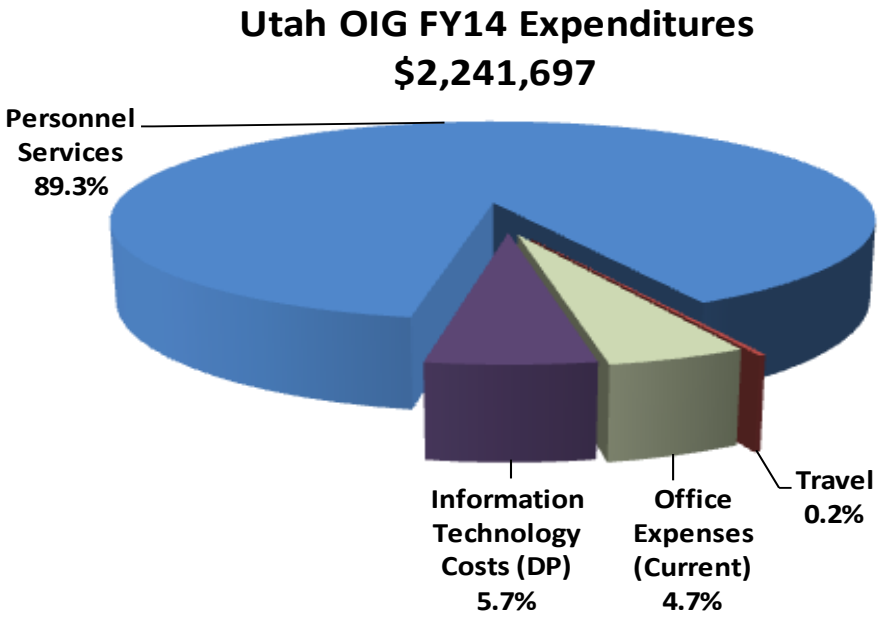
W. David Patton, PhD
Executive Director, Utah Department of Health

The Utah OIG is excited to continue serving as an independent oversight agency for Utah Medicaid and all Medicaid related spending in Utah into the future.

Utah OIG Results (SFY 2014)

Fiscal Report – Year Ending June 30, 2014





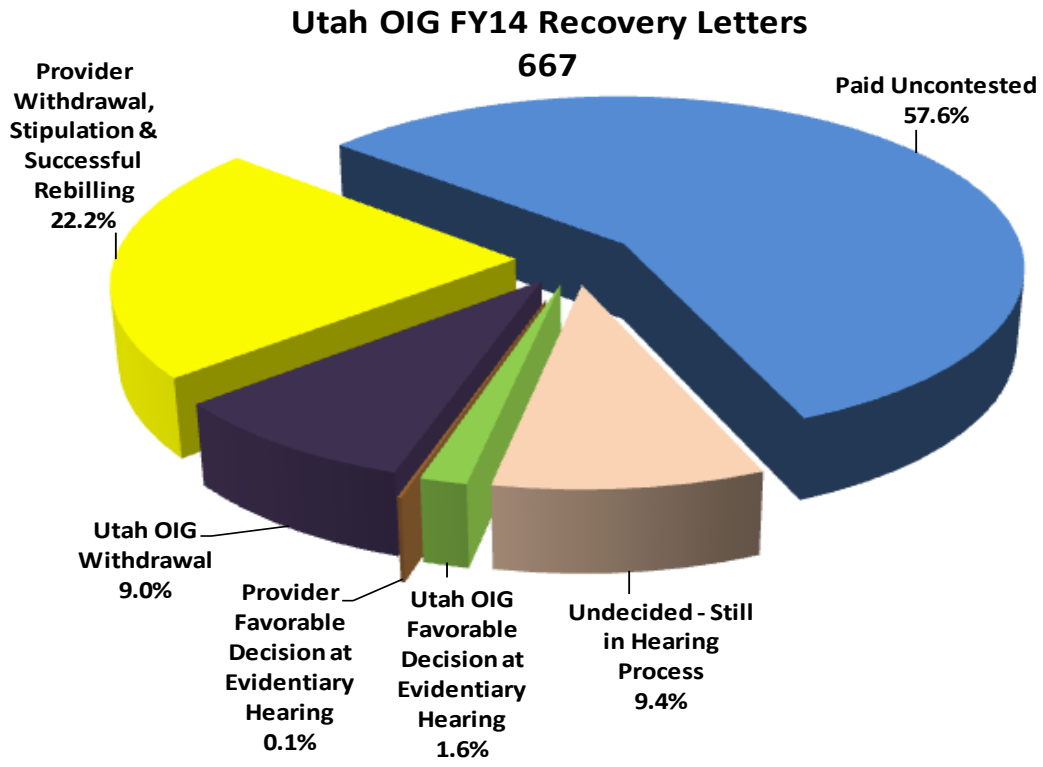
Return on Investment (ROI)	516%[3]

1 Utah OIG collected an additional $18,632,019, not reported in this chart, on behalf of MFCU (the Medicaid Fraud Control Unit).

2 'Rebills' are reprocessed claims to correct payment errors. This figure represents the net gain for taxpayers in the fiscal year. The Office is able to report this figure in 2014 with the implementation of new accounting software tools. This number could not be reported in prior years.

3 The Utah OIG calculates ROI in a simple, conservative manner: ROI = (Taxpayer Funds Collected/Expenditures) x 100. We have excluded the additional $18MM identified in footnote 1.

Recovery Letter Outcomes



In FY14, uncontested notices and provider withdrawals were up, and Utah OIG withdrawals were down from FY13. This is a result of improved communication and partnership with the provider community. Internal control improvements helped improve the quality and accuracy of recovery letters issued by the Utah OIG.

New in FY 2014

The Utah OIG has been in operation for three fiscal years. It has matured from a concept and start-up operation to a fully implemented and successful enterprise. The Utah OIG recognizes that healthcare delivery and reimbursement is a dynamic and evolving process, and to remain effective the Office must organize to accept future challenges and demands.

A Chief of Staff (CoS) has been added to bolster the Office's leadership team. The CoS will be involved in the day-to-day leadership and workings within the office. The CoS will also solidify and document processes and procedures, and work to identify and implement improvements that strengthen the Office, the team and Utah OIG results.

The reorganization also includes a shift in alignment of managers within the Office; responsibilities were redistributed to promote greater efficiencies and increased workload capacity.

The newly reorganized administrative and management structures are now clearer, more focused, and promote specialized supervision over each section.

The other intended consequence of these changes is to position the Office to accept additional challenges / areas of investigation if called on to do so by Executive and Legislative leadership.

Office Summary for FY2014

FY14 Taxpayer Funds Collected*	
Cash Collected	$10,415,937
Joint MFCU-Utah OIG	$200,000
Credit Adjustments	$584,829
Rebills**	$369,837
Total Taxpayer Funds Collected	$11,570,604

* Utah OIG collected an additional $18,632,019, not reported in this number, on behalf of MFCU (the Medicaid Fraud Control Unit)

** 'Rebills' are reprocessed claims to correct payment errors. This figure represents the net gain for taxpayers in the fiscal year. The Office is able to report this figure in 2014 with the implementation of new accounting software tools. This number could not be reported in prior years.

Expenditures	
Personnel Services	$2,002,733
Travel	$5,268
Office Expenses (Current)	$105,612
Information Technology Costs (DP)	$128,085
Total Expenditures	$2,241,697

Return on Investment	
Utah OIG FY14 ROI	516%

Investigations	
Investigations Opened	1,287
Medical Claims (TCNs) Reviewed	8,418

Recovery Letters	
Total Recovery Letters Sent	604
Uncontested	384
Undecided - Still in Hearing Process	63*
Utah OIG Favorable Decisions at Evidentiary Hearing	11
Provider Favorable Decisions at Evidentiary Hearing	1
Utah OIG Withdrawal	60
Provider Withdrawal, Stipulation & Successful Rebilling	148

*62 of the 63 cases undecided at the end of FY14 were opened in FY14

Performance Audit	
Audits Completed	15
Recommendations Made	56
Recommendations Accepted by Medicaid	56
Recommendations Already Implemented by Medicaid	22

Policy Review	
Utah OIG Policy Reviews	53
Policies with Utah OIG Findings/Recommendations	50
Policies with No Findings	3
DOH Responses to Utah OIG Reports	27

Training Conducted	
Provider Outreach Trainings	31
Professional Group Trainings	4