

UTAH OFFICE OF INSPECTOR GENERAL – MEDICAID SERVICES 2015 ANNUAL REPORT



10/1/2015

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.



Gene D Cottrell
Interim Manager

Utah Office of Inspector General

October 1, 2015

TO: Governor Gary Herbert, President Wayne Niederhauser, Speaker Greg Hughes, and The Executive Appropriations Subcommittee

SUBJECT: 2015 Annual Report for the Utah Office of Inspector General – Medicaid Services (Utah OIG)

Attached is the Utah Office of Inspector General's 2015 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 2015. 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) 2015.

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,

Gene D. Cottrell
Interim Manager
Office of Inspector General-Medicaid Services

cc: Justin Harding
Mike Mower
Aimee Edwards
Kristen Cox
Joseph Miner
Michael Hales
Robert Rolfs, MD
Russell Frandsen

Stephen Jardine
Gary Ricks
Wayne Niederhauser, President
Gregory H. Hughes, Speaker
Health and Human Services Subcommittee
Executive Appropriations Subcommittee



***DRIVING A MORE EFFICIENT STATE
GOVERNMENT***

2015 ANNUAL REPORT

Contents

- Message from the Interim Manager 3
- Utah OIG Highlights 4
 - Cultural Transformation 4
- Utah OIG Services and Functions 6
- Achievements 7
- Utah OIG Results (SFY 2015) 8
 - Fiscal Report – Year Ending June 30, 2015 8
 - Return on Investment (ROI) 8
 - Recovery Letter Outcomes 9
- New in FY 2015 10
- Office Summary for FY2015 12

Message from the Interim Manager

Greetings,

As the Interim Manager of the Utah Office of Inspector General – Medicaid Services (Utah OIG), it is my privilege to introduce the 2015 Annual Report. This year marks the fifth fiscal year since the inception of the Office in July 2011.

The Office is governed by Title 63A, Chapter 13 of the Utah Code, 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 the Interim Manager of the Office of 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,

Gene D Cottrell
Interim Manager
Utah Office of Inspector General – Medicaid Services

Utah OIG Highlights

Transformation

The Utah Office of Inspector General was created four years ago to provide oversight of Medicaid. SFY 2015 proved to be the most turbulent of those four years due to transformations that occurred in December 2014. Under interim leadership the Utah OIG has streamlined internal processes to make functions, delegated from Medicaid through an MOU, more efficient.

Personnel within the Office have been given a new vision of becoming a “...leader among all the States in promoting and protecting the integrity of the Medicaid program”. With that new direction came a refining of the Office’s mission statement, which now says,

The Utah Office of Inspector General will enhance the integrity of the Utah State Medicaid program by preventing fraudulent, abusive, and wasteful practices within the Medicaid program and by recovering improperly expended Medicaid funds while promoting a high quality of patient care.

To support that mission statement the Office also adopted six core principles which include:

1. Collaborate with Providers to enhance compliance and promote high quality care.
2. Coordinate with partners.
3. Develop innovative data analytics capabilities.
4. Promote transparency and professionalism.
5. Promote accountability.
6. Achieve and exceed established goals.

There were no published goals for FY15. However, the FY16 UOIG Goals are:

1. Identify and recover at least \$8 million in inappropriately paid Medicaid money.
2. Identify policy and other implemented changes that result in at least \$5 million in cost avoidance.
3. Complete the transition of the Office once a new IG is appointed.
4. Complete 12 audits.

The existence of the OIG is having a positive impact on the Utah State Medicaid program. This impact is exhibited by decreasing recovery amounts. At first glance this metric is troubling. However, Program Integrity Units and Offices of Inspectors General throughout the country are reporting the same trends within their various states. The decline in recoveries is indicative of a

condition known as “the sentinel effect”. Sentinel effect refers to the impact that Offices, such as the Utah Office of Inspector General, have on the programs within their states. Provider billing practices are changed over time to be more compliant with State and Federal rules and regulations which creates the decline in recovered amounts. Cost avoidance then becomes an additional measure of success for those organizations.

The UOIG is currently working on calculation methodologies to accurately report cost avoidance in the future. This report will give examples of cost avoidance initiatives that the Office is undertaking, however, those techniques are incomplete at this time and will be further refined over the coming year. The current plan is to incorporate cost avoidance identification in all aspects of the Office’s work.

Utah OIG Services and Functions

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

- 1. 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

The Utah OIG completed 33 provider outreach trainings during FY 2015. Medical professionals in nearly every Utah County were invited to these training events. In addition, the Utah OIG identifies cases where training of individual providers or small practices is the most appropriate remedy for wasteful behavior. The Office conducts individualized training in those instances.

The Special Investigations Unit (SIU) received 730 leads during FY 2015. Leads are referrals that are received through the fraud hotline, email, in person, or through the Office's data mining activities. After an initial investigation 195 leads were referred to other state agencies or were closed due to lack of evidence. 535 cases were created from the remaining leads which resulted in 2962 total claims reviewed during the year.

The Performance Audit team released 3 audits during FY 2015. For the current fiscal year the Audit team is on pace to meet or exceed the OIG goal of 12 audits with one already being issued and eight currently open.

The Utah OIG works closely with Medicaid to ensure policy updates and changes are clear and that they comply with Federal regulation. The Utah OIG does not write policy but does review and enforce administrative policy written by the Utah Department of Health (UDOH).

During FY 2015, the Utah OIG reviewed 134 Medicaid policies consisting of provider manuals, policy updates, and Medicaid Information Bulletins (MIBs). Medicaid has made significant changes in policy as a result of recommendations by the Office, especially in the area of dental policy.

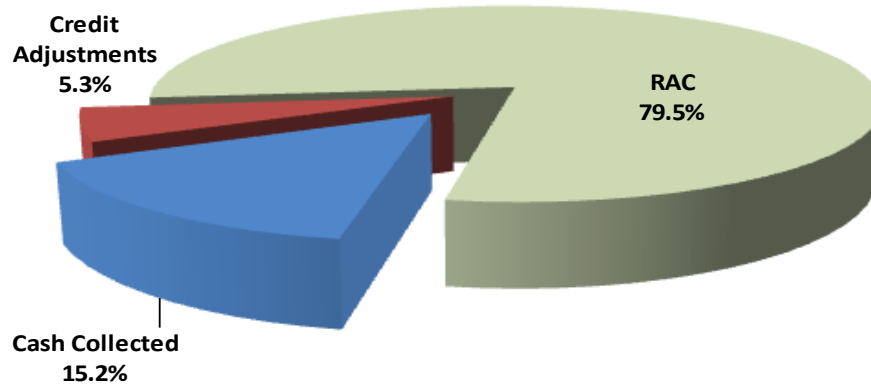
During the last six months of SFY 2015 all processes were evaluated and changes were made to streamline investigations; especially routine investigations done on behalf of Medicaid through the Memorandum of Understanding. The standardized process now includes data analysis, an in-depth policy review, and a legal review as part of the initial investigation in each lead. When the initial investigation concludes that fraud, waste, or abuse exists the case is packaged and either referred to the Medicaid Fraud Control Unit (MFCU) in the case of fraud, or to an OIG investigator for a detailed investigation. A quality control check for any recovery letters resulting from the detailed investigation was also implemented.

The implementation of these steps has greatly reduced the number of frivolous cases being sent to providers and has resulted in fewer cases entering the administrative hearing process.

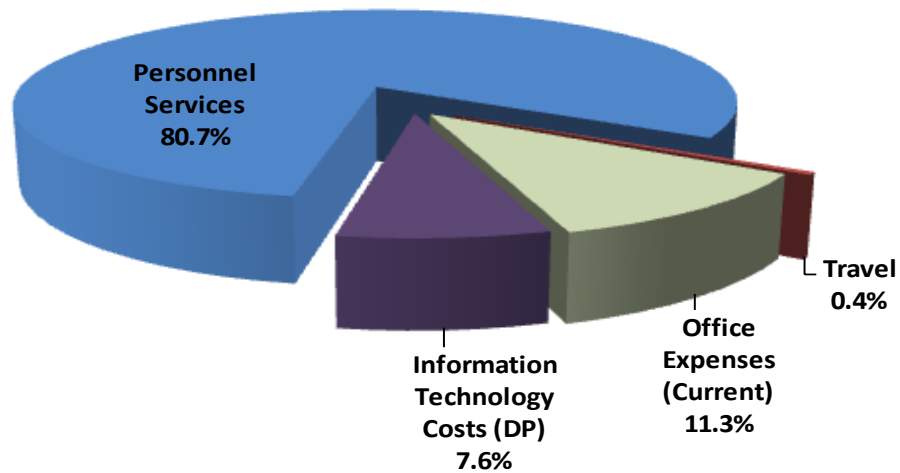
Utah OIG Results (SFY 2015)

Fiscal Report – Year Ending June 30, 2015

FY15 Taxpayer Funds Collected¹ \$8,809,157



Utah OIG FY15 Expenditures \$2,577,847



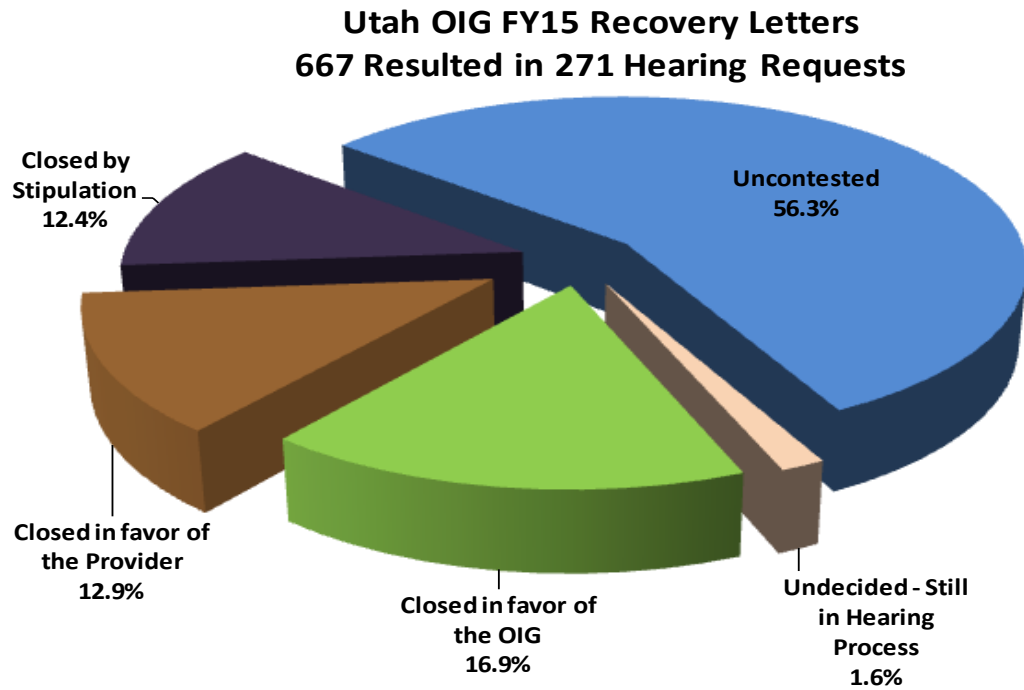
Return on Investment (ROI)

342%²

¹ Utah OIG collected an additional \$5,430,694, not reported in this chart, on behalf of MFCU (the Medicaid Fraud Control Unit).

² The Utah OIG calculates ROI in a simple, conservative manner: $ROI = (\text{Taxpayer Funds Collected} / \text{Expenditures}) \times 100$. We have excluded the additional \$5.4M identified in footnote 1.

Recovery Letter Outcomes



In FY15, uncontested notices and provider withdrawals were up due to the improved quality control measures that were implemented in January 2015.

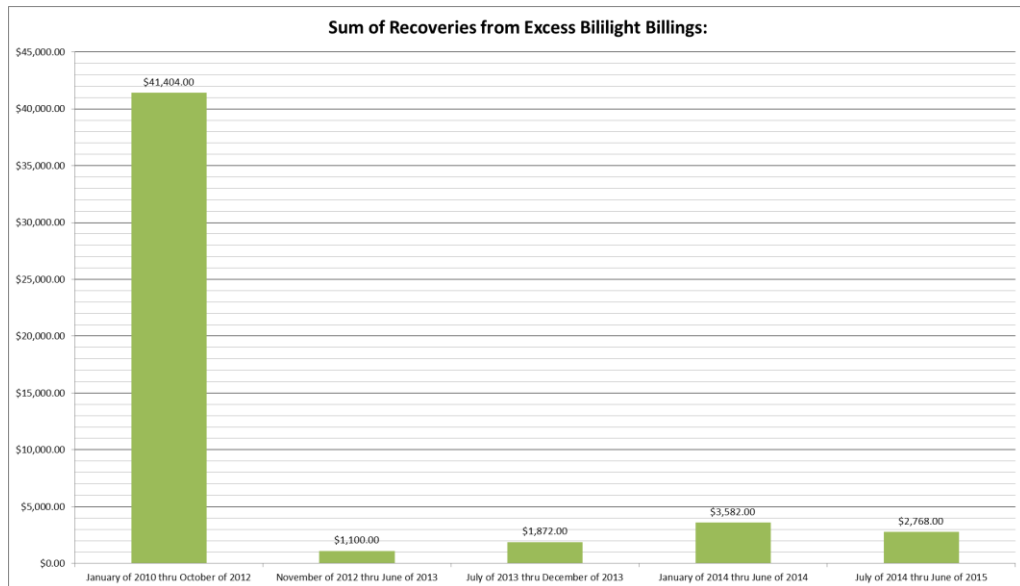
New in FY 2015

The Utah OIG underwent a very turbulent period for the first half of SFY 2015. In January 2016 a number of significant changes occurred that are making the Office more effective. A code of conduct was published in January, along with three internal policies. Policies and procedures have been streamlined and are being documented and trained regularly.

Additionally, a training program was established within the Office to ensure members of the OIG are kept up-to-date in current fraud trends and detection methods. This training program included a return to the Medicaid Integrity Institute (MII) at the National Advocacy Center (NAC) in Columbia, South Carolina. Members of the team who attend the MII then present lessons learned to the rest of the team in a weekly team training meeting. Training, including travel and lodging, at the NAC is 100% federally funded and is an invaluable resource.

These changes are making an impact on the Office and are leading to accomplishing the Office's FY 2016 published goals.

Another change that is underway is the incorporation of cost avoidance identification for each initiative the Office undertakes. The Office has identified a number of methodologies for calculating cost avoidance and started incorporating those at the beginning of FY 2016. The following graph shows an example of both cost avoidance and the sentinel effect, using a bililight case on which the Office recovered \$41,404.



Bililights are billed on a daily basis, for a length of time that is medically necessary (Medicaid reimburses ~\$40 a day). Daily blood tests are conducted to determine if the bililight is necessary. If the child's blood work indicates the

bililight is no longer medically necessary it should not be reimbursed by Medicaid.

In this example the Utah OIG reviewed bililight cases that were billed between January 2010 and October 2012. The result of the initial investigation was a recovery of \$41,404.00. The data was pulled and reevaluated four additional times over the next two and a half years which resulted in additional recoveries of only \$9,322.00. This demonstrates a difference of \$32,082.00 over nearly the same time period. After provider education and continued monitoring this shows a projected cost avoidance of at least \$20,000 annually and clearly demonstrated the sentinel impact the Office is having. Cases like these are reviewed at least annually to ensure continued compliance.

The Utah OIG is also making adjustments to internal processes to remain current with the expansion of the Managed Care Organizations (MCO) into nine additional counties. The Office is working closely with the Program Integrity Units of each MCO to assist in the identification and reporting of potential fraud cases.

Office Summary for FY2015

FY15 Taxpayer Funds Collected*

Cash Collected	\$1,334,675
Credit Adjustments	\$470,404
RAC Related Recoveries	\$7,004,078
Total Taxpayer Funds Collected	\$8,809,157

* Utah OIG collected an additional \$5,430,694, not reported in this number, on behalf of MFCU (the Medicaid Fraud Control Unit)

Expenditures

Personnel Services	\$2,080,731
Travel	\$11,042
Office Expenses (Current)	\$290,905
Information Technology Costs (DP)	\$195,169
Total Expenditures	\$2,577,847

Return on Investment

Utah OIG FY15 ROI	342%
-------------------	------

Investigations

Investigations Opened	535
Medical Claims (TCNs) Reviewed	2,962

Recovery Letters

Total Recovery Letters Sent	667
Uncontested	396
Undecided - Still in Hearing Process	11
Closed in favor of the OIG	119
Closed in favor of the Provider	91
Closed by stipulated agreement	87

Performance Audit

Audits Completed	3
------------------	---

Policy Review

Utah OIG Policy Reviews	134
-------------------------	-----

Training Conducted

Provider Outreach Trainings	33
-----------------------------	----