

OFFICE OF THE INSPECTOR GENERAL OF MEDICAID SERVICES ANNUAL REPORT



9/25/2013

Inspector General of Medicaid Services

The Office of the Inspector General of 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.



STATE OF UTAH
LEE WYCKOFF
Inspector General

Office of the Inspector General

September 25, 2013

TO: Governor Gary Herbert and The Executive Appropriations Committee: Senator Lyle W. Hillyard, Chair; Representative Melvin R. Brown, Chair; Senator Jerry Stevenson, Vice Chair; Representative Brad R. Wilson, Vice Chair

SUBJECT: 2013 Annual Report for the Office of Inspector General of Medicaid Services (OIG)

Attached is our 2013 annual report to the Governor and the Executive Appropriations Committee, in compliance with **Utah Code § 63A-13-502**. This report shows the results from the Office of Inspector General for fiscal year 2013. The OIG was created to serve as an independent oversight agency for Utah Medicaid and all Medicaid related spending. This report presents progress achieved in SFY 2013.

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

Sincerely,

Lee Wyckoff, CPA, CIA, CISA
Inspector General of Medicaid Services

cc: President Wayne Niederhauser
Speaker Rebecca Lockhart
Derek Miller
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Ally Isom
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David Patton, Ph.D
Michael Hales
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Russ Fransden
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Health and Human Services Appropriations

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Executive Summary

The Office of the Inspector General (OIG) was created through House Bill 84, 4th Substitute during the 2011 legislative general session. The 2013 legislative general session introduced and passed House Bill 106, 3rd Substitute, which established the Office of Inspector General as an independent entity within the Department of Administrative Services. HB 106 also provided additional direction and clarification on a number of sensitive subjects important to the OIG and Medicaid stakeholders.

The OIG has continued to advance the mission established in 2011 while meeting both the letter and spirit of the most recent legislation.

A summary of items we have accomplished this year include the following:

Achievements – The OIG:

- Researched, identified, and recovered approximately \$12 million of taxpayer funds. The OIG also partnered with MFCU to collect approximately \$13 million in global drug rebate settlements and fraud related recoveries. A total of approximately \$25 million were returned to the Medicaid general fund to help further Medicaid's mission;
- Demonstrated an extremely conservative return on investment of more than 468% (excluding all work on MFCU related cases, but including all department costs);
- Completed 1,489 investigations that examined compliance with Medicaid policies, recipient quality of care, and identification of waste, abuse, and potential fraud; and
- Published a Strategic Plan which defines Office goals and objectives, stakeholders, and strategies (see Appendix A).

Response to HB 106 – The OIG:

- Completed the transition from the Governor's Office of Planning and Budget to the Department of Administrative Services;
- Issued Rule 30. This rule defines the scope of the Utah Office of Inspector General of Medicaid Services and the provisions necessary to administer the Office;
- Conducted 26 provider trainings, canvassing nearly all Utah counties. These trainings encourage provider participation in Utah's Medicaid program while informing healthcare professionals about OIG audit policies and compliance issues; and
- Accommodates and supports the submission of secured electronic files.

The OIG is positioned well to continue to serve as an independent oversight agency for Utah Medicaid and all related spending into the future.

OIG Mission, Goals, Objectives, Challenge, and Methods

OIG Mission

The 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.

OIG Goals & Objectives

The OIG intends to:

- Support delivery of quality healthcare to the State's most vulnerable people for the best value;
- Continue to seek improvements in Medicaid payment accuracy, legal compliance, and efficiency through accurate payment of Medicaid claims – correcting both over and underpayments to Medicaid providers;
- Continue to build and maintain trust with the provider community and taxpayers through training, accessibility, and transparency; and
- Promote interagency communication, cooperation, and efficiency

OIG Challenge

The OIG is often challenged to balance the divergent, and sometimes competing, interests of multiple stakeholders. For example, an OIG action viewed as a benefit by one stakeholder may be interpreted as an encumbrance by another.

The OIG seeks to achieve balanced, win-win solutions whenever possible. When a stakeholder is dissatisfied with an OIG action, the office ensures the action is supported with thorough explanations, statutory justification, provider training, and accessibility to the Office.

OIG Methods

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

- I. **Program Integrity/Medical Review (PIMR):** This OIG team reviews and investigates Medicaid payments that are high risk or where review is required by law.
- II. **Performance Audit:** This OIG team focuses on reducing waste, abuse, and fraud through preventive control audits and independent reviews of key Medicaid processes.
- III. **Data Mining, Policy, and Strategy:** This OIG team uses research and advanced data analytics to increase the impact and efficiency of the Medical Review and Performance Audit teams.

OIG Results (SFY 2013)

Taxpayer Funds Recovered (Returned to the Medicaid General Fund)

Cash Collected

Cash Received ¹	\$	11,574,873
Joint MFCU-OIG		525,512
MFCU Global Settlements ²		12,815,569
Total Taxpayer Funds Recovered	\$	24,915,954
OIG FY 2013 Spend	\$	2,472,266
ROI Excluding MFCU Collections		468%
ROI Including MFCU Collections		1008%

¹ Cash Received includes offsets to future provider billing and lockbox funds

² Global Settlements are shown net of a retention amount kept by MFCU

OIG Response to Recent Legislation

The 2013 legislative general session passed House Bill 106, 3rd Substitute (HB 106). This bill moved the Office of Inspector General of Medicaid Services into the Department of Administrative Services as an independent entity.

In addition, HB 106:

- Required the Office of Inspector General of Medicaid Services to adopt administrative rules to develop audit and investigation procedures.

On June 21, 2013 Rule 30 (Administrative Services, Office of Inspector General of Medicaid Services) became effective. This rule defines the scope of the Utah Office of Inspector General of Medicaid Services and the provisions necessary to administer the Office.

- Directed the OIG to identify and reduce waste, abuse, and fraud in the state Medicaid program; and recoup costs, balance efforts to reduce costs, and avoid or minimize increased costs of the state Medicaid program with the need to encourage robust health care professional and provider participation in the state Medicaid program.

The OIG conducted 26 provider trainings, canvassing nearly all Utah counties in SFY 2013. Provider training encourages provider participation in Utah's Medicaid program while increasing awareness and transparency of OIG audit policies and compliance reviews.

- Directed the OIG to investigate, discover, and recover fraud, waste, and abuse in the Medicaid program, apply the state Medicaid plan, department administrative rules, Medicaid provider manuals, and Medicaid information bulletins in effect at the time the medical services were provided.

The OIG conducted 1,489 investigations in SFY 2013. These investigations and the partnership with MFCU drove the identification and recovery of inappropriate Medicaid payments totaling approximately \$25 million (See OIG Results section on page 4 above).

- Shortened the period of time for which the OIG can review claims to 36 months from the inception of the investigation, except in cases of fraud.

This was, and remains, an existing practice of the OIG. The OIG has continued to review Medicaid services performed within 36 months from inception of the investigation.

- Provided direction for when the OIG can access, review, and copy provider records.

The OIG continues to interact with providers in a manner that is minimally disruptive to the health care provider's care of patients. The OIG visits providers at their place of business very infrequently (<10 times since inception of the Office). These visits were scheduled with the providers and accommodated their schedules to minimize impact. The OIG also accommodates and supports the submission of secured electronic files from all providers who request this option.

Appendix A: Office of the Inspector General Strategic Plan

Background

House Bill 84, 4th Substitute created The Office of the Inspector General (OIG) during the 2011 legislative general session. House Bill 106, 3rd Substitute replaced this statute during the 2013 legislative general session.

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

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

- I. **Program Integrity/Medical Review (PIMR):** This OIG team reviews and investigates Medicaid payments that are high risk or where review is required by law.
- II. **Performance Audit:** This OIG team focuses on reducing waste, abuse, and fraud through preventive control audits and independent reviews of key Medicaid processes.
- III. **Data Mining, Policy, and Strategy:** This OIG team uses research and advanced data analytics to increase the impact and efficiency of the Medical Review and Performance Audit teams.

Situational Analysis/Central Challenge:

The OIG is often challenged to balance the divergent, and sometimes competing, interests of multiple stakeholders. For example, an OIG action viewed as a benefit by one stakeholder may be interpreted as an encumbrance by another. The OIG seeks to achieve balanced, win-win solutions whenever possible.

When a stakeholder is dissatisfied with an OIG action, the office ensures the action is supported with thorough explanations, statutory justification, and provider training.

Goal:

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

Key Audiences

1. Medicaid Providers
2. Utah and Federal Taxpayers
3. Utah Governor's Office and Legislature
4. Medicaid Leadership and Operations

Key Messages:

1. OIG promotes Medicaid payment accuracy, legal compliance, and efficiency.
2. OIG supports quality healthcare delivery to the state's most vulnerable people for the best value.
3. OIG supports the provider community through training and accessibility.

Objectives

Objective 1: Support Healthcare Delivery Reform and Efficiencies

Key Message: OIG supports quality healthcare delivery to the state's most vulnerable people for the best value.

Target Audience: Medicaid Leadership, Utah Governor's Office, and Legislature

Strategy: The OIG shall continue to review and audit ACO implementation progress and contract performance through:

- a) Post payment review of claims and encounter data
- b) Review of ACO contracts through audit function
- c) Quarterly meetings with ACO contractor, Program Integrity, and data personnel
- d) Continued communication with Medicaid regarding any issues identified

Objective 2: Facilitate accurate payment of Medicaid claims

Key Message: OIG promotes Medicaid payment accuracy, legal compliance, and efficiency.

Target Audience: Medicaid Leadership and Operations, Medicaid Providers

Strategy: The OIG shall continue to review medical claims data, intensifying focus on high risk claims. The OIG shall:

- a) Reduce inappropriate payments through strong provider education
- b) Communicate control recommendations to Medicaid Leadership and Operations
- c) Execute effective post payment review
- d) Finalize case tracking and financial accounting system implementation

Objective 3: Continue to build and maintain trust with the provider community and taxpayers

Key Message: OIG promotes Medicaid payment accuracy, legal compliance, and efficiency.

Key Message: OIG supports the provider community through training and accessibility.

Target Audience: Medicaid Providers, Utah and Federal Taxpayers

Strategy: The Utah OIG shall continue an intensive provider training and public outreach program. The OIG shall:

- a) Continued provider training – live and webinar

- b) Expand Web presence – web site redesign and use of social media outlets
- c) Release public service announcements about waste, abuse, and fraud
- d) Issue press releases as needed for important OIG findings and recoveries

Objective 4: Promote Interagency Communication and Cooperation

Key Message: OIG promotes Medicaid payment accuracy, legal compliance, and efficiency.

Target Audience: Medicaid Leadership and Operations, Utah Governor’s Office and Legislature

Strategy: The OIG shall highlight critical barriers and isolated management structures that impede efficiency and efficacy in administering Medicaid services. Upon identifying barriers, the OIG will seek and promote creative solutions to minimize or remove barriers, thereby allowing increased partnership between agencies and departments. This strategy shall be advanced through:

- a) Quarterly interagency taskforce meetings
- b) Monthly meeting between the Inspector General and Medicaid Director
- c) Monthly meeting between the OIG and the Medicaid Fraud Control Unit (MFCU)