PERFORMANCE AUDIT

Report Highlights

Office of the Washington State Auditor
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Medicaid Program Integrity

Examining the Health Care Authority's oversight of efforts at state agencies

One in four Washingtonians are enrolled in Medicaid, which provides health coverage to people with low incomes. Medicaid accounted for about $14.6 billion in state and federal funding in fiscal year 2020. More than half went to five managed care organizations (MCOs), with one receiving $3.7 billion.

Program integrity efforts focus on paying the right dollar amount to the right provider for the right reason. Federal program integrity requirements include:

- Incorporating specific provisions into contracts with MCOs
- Verifying beneficiaries meet eligibility requirements
- Screening providers to see if they are on federal exclusion lists
- Investigating questionable practices and referring credible allegations of fraud to law enforcement

States must comply with these requirements as a necessary condition to receiving considerable amounts of federal funding. About $9.5 billion of the $14.6 billion spent on Medicaid in fiscal year 2020 came from the Centers for Medicare and Medicaid Services. Also, states can choose to go beyond federal program integrity requirements.

HCA executives created a Division of Program Integrity to highlight its work, but they can improve oversight through strategic planning and performance measurement

In 2020, HCA executives consolidated many of the agency's program integrity efforts into the Division of Program Integrity (the Division) to increase visibility. Although HCA executives have taken steps to consolidate this work, it would benefit from improved strategic planning at the agency and division level. While HCA executives conduct some oversight of program integrity efforts, they can improve their monitoring through better use of performance measures. HCA has some program integrity measures but lacks others recommended by experts and used by other states. In addition, HCA does not use available measures to monitor program integrity performance.

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HCA has not provided federally required oversight of Medicaid program integrity efforts at sister state agencies

As Washington's state Medicaid agency, HCA must oversee all program integrity efforts, including those at sister state agencies. Oversight is a safety net to ensure policies are implemented and funding is spent as intended, and can include reviewing reports, monitoring results, and implementing corrective action plans when necessary.

In Washington, two sister state agencies – the Department of Social and Health Services (DSHS) and the Department of Children, Youth, and Families (DCYF) – spent more than $4 billion total in Medicaid funding in fiscal year 2020. Federal regulations require HCA to oversee program integrity efforts at DSHS and DCYF. HCA executives formalized oversight responsibilities in agency policy and interagency agreements, and assigned this responsibility to the Division.

While the sister state agencies say they have processes in place to ensure Medicaid funding is spent properly, the Division has not overseen those program integrity efforts because:

- Division managers have not assigned oversight of sister state agencies to any of the units
- The Division lacks a plan outlining roles and responsibilities across key partners
- Change, transition and the lack of a plan left managers uncertain of their oversight responsibilities

The Division has expanded its program integrity efforts with MCOs, but it can do more to reduce fraud and other improper payments

Managed care changed how Medicaid pays for services, requiring a different approach to program integrity efforts. The Division is establishing ways to hold MCOs accountable for their role in program integrity efforts. For example, HCA executives sanctioned the five MCOs a total of nearly $1 million, based on the Division's audit of the data used to set monthly payment rates. Also, the Division requires MCOs to regularly report on their program integrity efforts, and has been discussing them with the organizations on a quarterly basis. In addition, HCA recently updated the contract to allow additional financial penalties for failure to fulfill program integrity requirements. However, the Division could improve its oversight of MCOs by directly auditing providers and recovering overpayments.

Improving audit selection practices would help the Division prioritize resources for high-risk cases and meet federal requirements

The Division can improve how it generates and evaluates the leads that become reviews, audits and investigations of Medicaid providers. Other states provide examples of how to implement expert recommendations. For example, Florida reports that shifting to a risk-based approach for identifying suspicious activity resulted in a significant increase in referrals to law enforcement.

The Division does not use risk assessments or formally established risk factors to guide its audit plans. While Division staff look for outliers and trends, only two of four units rely on proactive data analytics to develop their workplans. The Division recently established a team to review and prioritize leads, but Division managers had different perspectives on whether the team consistently received necessary data. As the Division does not determine the credibility of fraud allegations for MCOs and DSHS, it cannot take appropriate action for many situations that merit scrutiny.

In addition, analyzing all leads from MCOs would help Division staff gain experience and monitor MCO engagement in program integrity. Furthermore, collaborating with a Unified Program Integrity Contractor would allow the Division to pursue fraudsters working across Medicaid and Medicare.

State Auditor's Conclusions

Medicaid needs a robust program integrity function to help ensure money is spent appropriately. Ensuring program integrity for a program this large and complicated is an inherently difficult task. That task is made even more difficult when the responsibility spans several state agencies and MCOs.

As the single state Medicaid agency, HCA is responsible for overseeing all program integrity efforts — including the work of other agencies and the MCOs. That has not always happened, but to its credit, HCA has taken steps to improve its oversight. These efforts include reorganizing its own program integrity function and welcoming help from our Office in the form of this performance audit. Our audit has identified a number of opportunities for HCA to improve both its own program integrity efforts and its oversight of other entities' efforts. We would strongly encourage HCA to implement these recommendations.

Recommendations

We recommend HCA executives improve overall oversight, strategic planning and performance measurement. We also recommend Division of Program Integrity managers improve strategic planning and performance measurement, oversight of program integrity at sister state agencies and MCOs, and the audit selection and assignment process.