

# PERFORMANCE AUDIT

Work in progress: Audit description

## Medicaid Managed Care Encounter Data

Almost one-quarter of Washingtonians receive medical and behavioral health care through a Medicaid (Apple Health) managed care plan. Under managed care, the state contracts with five private insurance companies called managed care organizations (MCOs) to provide specific services in exchange for monthly payments, unlike fee-for-service where the state pays providers directly for each service rendered. These monthly payments to MCOs amounted to \$9 billion in fiscal year 2021. To ensure this program only pays for appropriate services, both the Health Care Authority (HCA) and the MCOs must conduct program integrity activities designed to ensure compliance with relevant rules and to detect and prevent fraud, waste, abuse and improper payments.

Monthly premiums are based on “encounter data” the MCOs provide to HCA. Encounter data includes information about all care MCO clients receive and the payments MCOs make to contracted healthcare providers for that care. Because inaccurate encounter data could result in inflated premium rates, ensuring that the underlying data is complete and accurate is an important program integrity focus. HCA contracts with an actuarial firm to develop premiums using encounter data and other information to ensure the rates will cover projected healthcare costs.

A 2021 performance audit by the State Auditor’s Office found that HCA had begun auditing the accuracy of MCO encounter data in 2019. State legislators told auditors they had concerns about HCA’s efforts to hold MCOs accountable and the effectiveness of MCO program integrity efforts. At the time, HCA’s increased oversight of MCO program integrity and encounter data accuracy was too recent for our Office to review and we deferred further work to a future audit. This audit returns to the topic to conduct an independent assessment of the MCO program integrity efforts, as well as HCA’s oversight of those efforts. It also reviews how HCA and the MCOs ensure the accuracy of encounter data cost information.

### Preliminary scope and objectives

This audit will determine whether HCA and the MCOs have effective processes in place to ensure that encounter data is complete and accurate. The audit seeks to answer the following questions:

- Are there opportunities to improve MCO program integrity efforts and HCA’s related oversight?
- How do HCA and the MCOs ensure accurate encounter data and MCO program integrity efforts are reported to the actuaries and reflected in future premiums paid to MCOs?



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