STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

February 24, 2016

The Honorable John Allen, Chair
Joint Legislative Audit Committee

The Honorable Judy Burges, Vice Chair
Joint Legislative Audit Committee

Dear Representative Allen and Senator Burges:

Our Office has recently completed a 36-month followup of the Arizona Health Care Cost Containment System (AHCCCS)—Medicaid Fraud and Abuse Prevention, Detection, Investigation, and Recovery Processes regarding the implementation status of the 28 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2012 (Auditor General Report No. 12-06). As the attached grid indicates:

- 21 have been implemented;
- 1 has been implemented in a different manner;
- 3 are in the process of being implemented;
- 1 is not applicable;
- 1 is no longer applicable; and
- 1 has not been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on AHCCCS' efforts to implement the recommendations from the September 2012 performance audit report.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:kf
Attachment

cc: Tom Betlach, Director
Arizona Health Care Cost Containment System

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Arizona Health Care Cost Containment System (AHCCCS)—Medicaid Fraud and Abuse Prevention, Detection, Investigation, and Recovery Processes
Auditor General Report No. 12-06
36-Month Follow-Up Report

Recommendation	Status/Additional Explanation
Finding 1: AHCCCS has processes in place to prevent and detect fraud, but can continue to enhance its training and data analysis	
1.1 The OIG should develop and implement a formal plan to regularly update its Medicaid fraud and abuse prevention and detection training and other guidance based on trends its staff identify. The OIG should determine the frequency of the updated training that it offers and also determine whether it could use avenues other than formalized training to offer guidance on the latest trends in fraud and abuse prevention and detection, such as e-mail notifications or policy bulletins.	**Implementation in process** Although the OIG is providing periodic training on Medicaid fraud and abuse prevention and detection to its compliance officers, it has yet to establish a similar process for providing regular training to eligibility staff. In addition, the OIG is still in the process of developing a formal plan to regularly update its Medicaid fraud and abuse prevention and detection training and other guidance based on trends its staff identify, including the frequency and format of its updated fraud and abuse prevention and detection training.
1.2 AHCCCS should continue to identify areas where its fraud detection data analysis capabilities can be enhanced and work to implement improved methods.	**Implemented at 24 months**
Finding 2: AHCCCS should enhance processes for investigating cases of suspected fraud and abuse	
2.1 The OIG should enhance its processes for investigating fraud and abuse cases in a timely manner. Specifically:	
a. To improve its member fraud case screening and prioritization process, the OIG should reevaluate the factors it considers when assigning priority levels for member fraud cases. In addition to the factors it already considers, the OIG should consider past trends in previously closed member fraud and abuse cases to identify common characteristics that lead to a recovery or cost savings. Further, information gained from an analysis of closed cases could be used to identify important factors to consider in the initial case-screening processes, such as the type of fraud or abuse, the referral source, the quality of initial evidence provided, whether the member had previous referrals, and the amount of capitation payments;	**Implemented at 24 months**
b. Once it has reevaluated the factors it will consider when prioritizing cases for investigation, the OIG should establish a written member fraud case screening and prioritization policy for its Member Compliance unit indicating when cases should be immediately assigned, closed, or deferred;	**Implemented at 24 months**

Recommendation	Status/Additional Explanation
c. The OIG should develop and implement a written case screening and prioritization policy to determine when provider fraud cases should be assigned, closed, or deferred for its Provider Compliance unit;	**Implemented at 12 months**
d. Once these case screening and prioritization processes are established, the Member and Provider Compliance units should use them to reassess and reprioritize cases as they move them from deferral to assignment to an investigator to ensure these cases still warrant investigation, and close out any cases that are not likely to be successfully resolved given the factors of the case;	**Implemented at 36 months**
e. The OIG should formalize its process for referring nonfraud cases to its contracted health plans. In formalizing this process, the OIG should establish baseline factors for determining if it will investigate a case or if a case should be referred to the health plans for additional review;	**Implemented at 12 months**
f. The OIG should strengthen its policy regarding supervisory case reviews to reflect its practice of conducting 60-day case reviews. The policy should further require that, during these reviews, supervisors and staff should discuss whether an investigation should continue or be closed. If continued, supervisors and staff should discuss the next steps required, and should also review whether cases are progressing in a timely manner. In addition, the decisions made during this review should be documented.	**Implemented at 12 months**
2.2 To ensure the OIG has complete and accurate information that can be effectively used for management purposes, the OIG should:	
a. Establish a formal case closeout procedure to ensure that case management information and archived records contain all important documents and information;	**Implemented at 24 months**

Recommendation	Status/Additional Explanation
b. Complete development and implementation of its new case management system; and	**Implementation in process** The OIG is working to complete a comprehensive overhaul of its case management system and anticipates that it will implement the modified system by mid-August 2016. In the meantime, the OIG has implemented enhancements to its existing case management system to help address the issues identified during the audit. Specifically, the system enhancements include a feature that auto-populates much of a member's or provider's demographic information, and the system automatically date stamps events such as the date a case is assigned to an investigator. These system enhancements help address the types of data entry errors auditors identified.
c. Ensure that key fields in the case management information system, such as provider identification numbers and dates, are accurate.	**Implemented at 24 months**
Finding 3: AHCCCS' OIG should improve procedures related to its recovery processes	
3.1 To show that AHCCCS is pursuing the maximum civil settlements allowed by state laws and rules, the OIG should document, in its investigative case files, the specific considerations used to arrive at a settlement decision.	**Implemented in a different manner at 24 months** The OIG is documenting specific considerations used to arrive at a settlement decision in its attorney files rather than in the investigative case files, which are public record, to show that it is pursuing the maximum civil settlements statutes and rules allow.
3.2 To ensure that the federal government's contribution to Arizona's Medicaid program is not inappropriately reduced, AHCCCS and the OIG should:	
a. Make adjustments to federal reporting for all errors identified by auditors' review.	**Implemented at 24 months**
b. Review past reporting of recovery amounts for prior periods, such as fiscal years 2011 and 2012, to determine if there are additional errors, making reporting adjustments as necessary. Based on the results of the review, determine if additional periods should be reviewed.	**Implemented at 24 months**
c. Establish a process to periodically reconcile its federal recovery-reporting records to OIG recovery records to ensure the accuracy of reported amounts.	**Implemented at 36 months**
d. Conduct a secondary review of completed recovery-reporting forms to ensure the information on the forms, including recovery calculations and investigative costs, are accurate and supported by case file information.	**Implemented at 36 months**

Recommendation	Status/Additional Explanation
e. Establish a mechanism for tracking payment agreements that have conditions potentially affecting amounts collected to ensure that when the conditions are met that it reports to the federal government in a timely manner any needed adjustments to previously reported recovery amounts.	**No longer applicable** Although auditors found an example of a case where the OIG allowed a conditional payment agreement during the 2012 audit, the OIG stated that it is no longer the OIG's practice to allow conditional payment agreements.
3.3 To ensure the State collects the monies owed to it, the OIG should establish a formal collection program supported by a written policy that requires the following:	
• Aging of delinquent accounts each month, along with monthly written and phone contact for delinquent account holders;	**Implementation in process** The OIG revised its procedures for its collections process in January 2016; however, the procedures do not call for monthly aging of delinquent accounts or monthly written and phone contact for delinquent account holders as recommended. The OIG has been successful in contacting some delinquent account holders on a monthly basis and indicated that it plans to increase its workforce in 2016 to ensure that delinquent account holders are contacted in a timely manner.
• A letter of credit in provider civil settlements;	**Not applicable** The OIG has conducted further research into the use of letters of credit and found that although they could be used when applicable, they may be too expensive for a defendant and may discourage them from entering into a settlement agreement.
• State tax intercepts for members and providers, and state lottery intercepts for all delinquent account holders;	**Implemented at 36 months**
• Assessment and tracking of interest;	**Not implemented** Rather than assess interest as recommended, the OIG has revised its settlement agreement template to eliminate the assessment of interest. According to the OIG, it does not assess or collect interest on late payments because doing so would discourage providers who are making good faith efforts to pay as agreed.
• A determination of the specific collection efforts required by the CMS to comply with collection regulations for recapturing amounts previously reported to the CMS that are later determined uncollectible due to a provider going bankrupt or out of business, and ensure its written policy reflects these requirements;	**Implemented at 36 months**
• Adjustment of recovery amounts previously reported to the federal government when a provider has declared bankruptcy or gone out of business and the OIG has made an appropriate collection effort; and	**Implemented at 36 months**

Recommendation	Status/Additional Explanation
• Referral of bad debts or severely delinquent accounts to the Arizona Attorney General's Debt Collection Program.	**Implemented at 12 months**
3.4 To ensure it adequately protects the payments it receives from loss or theft, the OIG should revise its internal cash-handling policy and practices to align with the Manual's requirements to include:	
• Separating cash-handling duties by assigning two employees who do not have access to accounting records to open mailed payments, restrictively endorse payments immediately upon receipt, record payments in a mail log, sign and date the log each day, and make the log available for a daily reconciliation.	**Implemented at 12 months**
• Requiring a third person to separately enter the payments received into the OIG's case management system.	**Implemented at 12 months**
• Conducting a daily reconciliation between the payments received, signed and dated mail log, and report of payments recorded for the day from the OIG's accounting records. This reconciliation should be performed by somebody who does not have the ability to update the accounting record and has no access to cash.	**Implemented at 36 months**
• Requiring an OIG employee or another AHCCCS employee to conduct and document a monthly reconciliation between the OIG's accounting records and the State's accounting system.	**Implemented at 36 months**