STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Arizona Health Care Cost Containment System—Medicaid Fraud and Abuse Prevention, Detection, Investigation, and Recovery Processes

REPORT HIGHLIGHTS
PERFORMANCE AUDIT

Our Conclusion

The Arizona Health Care Cost Containment System (AHCCCS) has processes in place to detect Medicaid fraud and abuse but should continue to enhance its training and data analysis. AHCCCS also needs to enhance its processes for investigating potential fraud and abuse cases in a timely manner. Finally, AHCCCS needs to make several changes in its processes for recovering Medicaid payments made in cases of fraud or abuse to ensure maximum benefit to the State.

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AHCCCS has processes to prevent and detect Medicaid fraud and abuse but can enhance training and data analysis

AHCCCS has established required provider registration activities—To help prevent Medicaid fraud and abuse, AHCCCS' Office of Inspector General (OIG) registers all of AHCCCS' medical providers, such as doctors and home healthcare agencies. The OIG also conducts unannounced site visits at certain providers' offices.

AHCCCS conducts pre-approval investigations to ensure its members are eligible to receive benefits—The OIG conducts investigations of applicants for benefits when referred by the Department of Economic Security's eligibility workers, who conduct the majority of Medicaid eligibility determinations. In 2012, 35 percent of the 5,334 applicants investigated were determined ineligible.

AHCCCS should regularly update its training and continue to enhance its data analysis capabilities—The OIG makes Medicaid fraud and abuse training available to contracted health plans, which oversee the provision of healthcare services to AHCCCS members, and providers on AHCCCS' Web site. The OIG also developed mandatory fraud training for eligibility caseworkers. However, it does not regularly update its training to reflect emerging fraud and abuse trends identified by OIG investigators.

AHCCCS uses a contractor to analyze claims data, looking for known fraud patterns. In addition, since June 2012, AHCCCS has had a data-sharing partnership with the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, that allows the OIG to identify improper billing and utilization patterns by comparing Medicare and Medicaid claims. AHCCCS also entered into a contract with three companies for data-analytics-consulting services, as required by 2011 legislation.

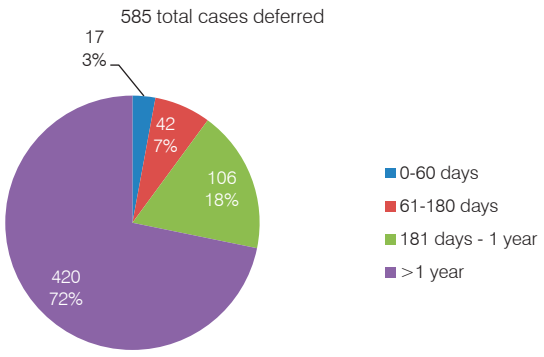
Recommendation:

AHCCCS should develop and implement a plan to regularly update its fraud training for eligibility caseworkers and continue to identify data analysis capabilities for fraud detection.

AHCCCS should enhance fraud and abuse investigation processes

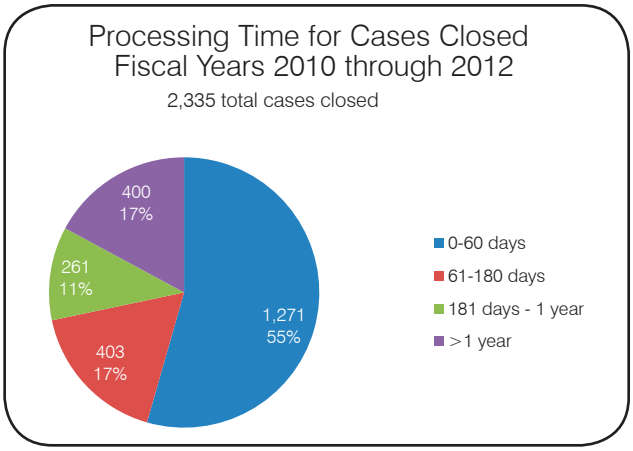
Many fraud and abuse referrals not investigated in a timely manner—The OIG, which conducts investigations into suspected member and provider fraud and abuse cases, does not consistently do so in a timely manner. First, it places many cases that it cannot immediately investigate in deferred status, and many deferred cases are not opened for 1 year or more.

Age of Deferred Cases
As of July 3, 2012



Second, although the OIG resolves many of the cases it opens for investigation in a timely manner, we found that about 28 percent of investigations resolved in fiscal years 2010 through 2012 took 6 months to more than 1 year to resolve. The OIG explained that the lack of experienced staff helped account for the delays in conducting investigations.

Additional efforts needed to ensure highest priority cases are worked first and investigations progress as quickly as possible—The OIG does not have written guidelines for prioritizing fraud and abuse cases. *Standards for Law Enforcement Agencies* recommend a prioritization system that focuses on cases that have the best chance of being successfully resolved. Accordingly, cases not likely to result in cost savings or recovery should be closed out. In addition to establishing written priority screening guidelines, the OIG should also strengthen its 60-day supervisory case review policy to include a requirement to discuss whether cases should be continued or closed and document the decisions made during case reviews.



Recommendation:

AHCCCS should enhance its processes for investigating fraud and abuse cases to ensure timely and effective resolutions.

AHCCCS should improve its recovery processes

Settlement decisions should be clearly documented—When fraud or abuse is substantiated, AHCCCS is responsible for recovering the amounts established in settlement agreements. Recovery amounts are established by a court when an AHCCCS member or provider has been convicted of a criminal offense or by the OIG through civil settlement agreements. AHCCCS does not consistently document the mitigating and aggravating factors it considers in reaching settlement decisions. As a result, it is not clear whether AHCCCS always seeks the maximum amount allowed by statutes and rules.

AHCCCS needs to ensure federal recovery reporting is accurate—After a recovery amount is established, AHCCCS must report the amount to the federal government, which reduces future federal contributions by the federal share of the amount reported. We identified 4 reporting errors out of 25 cases sampled that resulted in an erroneous reduction of the federal contribution by approximately $12,800. AHCCCS lacked adequate procedures to prevent and detect such errors.

Limited collection procedures place recoveries at risk—Many settlements are paid over a period of time, and the OIG is responsible for collecting the payments. We found that the OIG has not established a formal collection policy or program, increasing the difficulty in collecting the more than $2 million in recovery amounts that are over 90 days past due as of April 2012. AHCCCS should establish a formal collection program for delinquent accounts that includes monthly aging and followup, state tax and lottery intercepts, and referral to the Attorney General's debt collection program.

Recommendation:

AHCCCS should document the specific considerations used to arrive at civil settlement amounts, ensure that recovery amounts are accurately reported to the federal government, and establish a formal collections program.

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A copy of the full report is available at:
www.azauditor.gov
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