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September 2, 2014

The Honorable John Allen, Chair
Joint Legislative Audit Committee

Dear Representative Allen:

Our Office has recently completed a 24-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:

- 13 have been implemented;
- 1 has been implemented in a different manner;
- 8 are in the process of being implemented;
- 1 is not applicable; and
- 5 have not been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, our Office will conduct a 30-month followup with AHCCCS on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ss
Attachment

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

Arizona Health Care Cost Containment System (AHCCCS)— Medicaid Fraud and Abuse Prevention, Detection, Investigation, and Recovery Processes Auditor General Report No. 12-06 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
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Finding 1: AHCCCS has processes in place to prevent and detect fraud, but can continue to enhance its training and data analysis

<p>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.</p>	<p>Implementation in process Although the OIG is providing periodic training on Medicaid fraud and abuse prevention and detection to its compliance officers, it 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.</p>
<p>1.2 AHCCCS should continue to identify areas where its fraud detection data analysis capabilities can be enhanced and work to implement improved methods.</p>	<p>Implemented at 24 months</p>

Finding 2: AHCCCS should enhance processes for investigating cases of suspected fraud and abuse

<p>2.1 The OIG should enhance its processes for investigating fraud and abuse cases in a timely manner. Specifically:</p>	
<p>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;</p>	<p>Implemented at 24 months</p>
<p>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;</p>	<p>Implemented at 24 months</p>

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;
- 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;
- 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;
- 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

Implementation in process

Although the OIG has established a policy requiring Member and Provider Compliance units to review deferred cases every 90 days to assess the possibility of taking further action, it was unable to provide documentation to show this 90-day review is taking place.

Implemented at 12 months

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 development of its new case management system and anticipates that it will implement the new system by May 2015. 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

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 statute and rule 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.

Not implemented

Although the agency reported that it receives a quarterly report showing recoveries reported, it does not have a process for periodically reconciling its federal recovery-reporting records to OIG recovery records to ensure the reported amounts' accuracy.

Recommendation

Status/Additional Explanation

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.

Implementation in process

The OIG began using a new process as of March 2014 that requires a secondary review of completed recovery-reporting forms to ensure the information on the forms, including the recovery calculations and investigative costs, is accurate and that case file information supports it. However, the OIG is still in the process of developing written policies and procedures for this process, which it plans to complete in October 2014.

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.

Not implemented

Although auditors found an example of a case where the OIG allowed a conditional payment agreement, according to the OIG, it is not the OIG's practice to allow conditional payment agreements, and therefore, it has not developed a mechanism for tracking such 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 has developed and implemented policies and procedures for its collections process. The policy requires monthly review of scheduled payments, and the OIG is tracking written and phone contact using Microsoft Outlook. However, the OIG did not provide documentation to show that it was aging delinquent accounts or contacting all delinquent accounts each month.

- 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;

Implementation in process

The OIG has developed a new policy for state tax intercepts, but has not outlined procedures to implement the policy. According to the OIG, it is in the process of establishing debt set-off practices with the Arizona Lottery Commission, but was unable to provide supporting documentation.

Recommendation

Status/Additional Explanation

- Assessment and tracking of interest;
- 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;
- 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
- Referral of bad debts or severely delinquent accounts to the Arizona Attorney General's Debt Collection Program.

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.

Not implemented

The Attorney General's Office is in the process of developing a written policy that includes specific collection efforts the CMS requires. However, the OIG has not developed its own written policy outlining the specific collection efforts the CMS requires.

Not implemented

Although AHCCCS has a process to adjust the recovery amount reported to the federal government when a provider has declared bankruptcy or gone out of business, it has not formalized this process in a written policy.

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.
- Requiring a third person to separately enter the payments received into the OIG's case management system.
- 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 12 months

Implemented at 12 months

Implementation in process

The OIG has established a daily process to reconcile payments received, the signed and dated mail log, and report of payments recorded for the day from the OIG's accounting records. However, it has not fully implemented this recommendation because this reconciliation is not performed by an employee who does not have the ability to update the accounting record and has no access to cash.

Recommendation

- 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.

Status/Additional Explanation**Implementation in process**

Although the OIG has established a process to reconcile bank deposit records to its accounting records, it has yet to establish a process for conducting a monthly reconciliation between the OIG's accounting records and the State's accounting system.
