

# Medicaid Program Integrity: Examining the Health Care Authority's oversight of efforts at state agencies

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Office of the  
Washington  
State Auditor  
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# Key audit findings



- **HCA executive oversight** – HCA executives recently created a Division of Program Integrity, but they can improve oversight through strategic planning and performance measurement
- **Oversight of sister state agencies** – HCA has not provided federally required oversight of Medicaid program integrity efforts at sister state agencies
- **Holding MCOs accountable** – The Division has expanded its program integrity efforts with managed care organizations (MCOs)
- **Audit selection practices** – Improved audit selection practices would help the Division prioritize resources for high-risk cases and meet federal requirements

# Background



Medicaid is a state and federal partnership providing health coverage to people with low incomes

- About two million state residents are enrolled in Medicaid: more than one in four Washingtonians
- Washington's Medicaid program accounted for about \$14.6 billion in state and federal funding in fiscal year 2020
- Health Care Authority is Washington's single state Medicaid agency



# Background

Program integrity – the right amount to the right provider for the right reason

Federal requirements include:

- Incorporating specific provisions into MCO contracts
- Verifying clients meet eligibility requirements
- Investigating suspicious activity and referring credible allegations to law enforcement

Federal funding accounted for \$9.5 billion of the \$14.6 billion spent during fiscal year 2020



# Audit sought ways to improve processes



- Are there opportunities for HCA executive management to improve its oversight over program integrity?
- How can the Division of Program Integrity improve its structure and processes to more effectively reduce the risk of fraud and other improper payments?

# HCA executive oversight



As the state's Medicaid agency, HCA's executives are responsible for oversight of program integrity efforts

- In 2020, HCA executives consolidated many of the agency's efforts into the Division of Program Integrity
- This work would benefit from improved strategic planning at the agency and division level

# HCA executive oversight

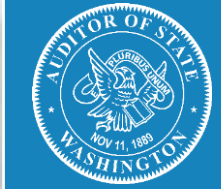


Better use of performance measures can help executives improve monitoring

- Current meetings and committees are insufficient to verify agency is meeting all program integrity requirements
- HCA has some program integrity performance measures but lacks others recommended by experts and used by other states
- HCA's agencywide performance measurement system does not include the Division's limited measures



# Oversight of program integrity at sister state agencies



As Washington's single state Medicaid agency, HCA must oversee all program integrity efforts, including those at sister state agencies

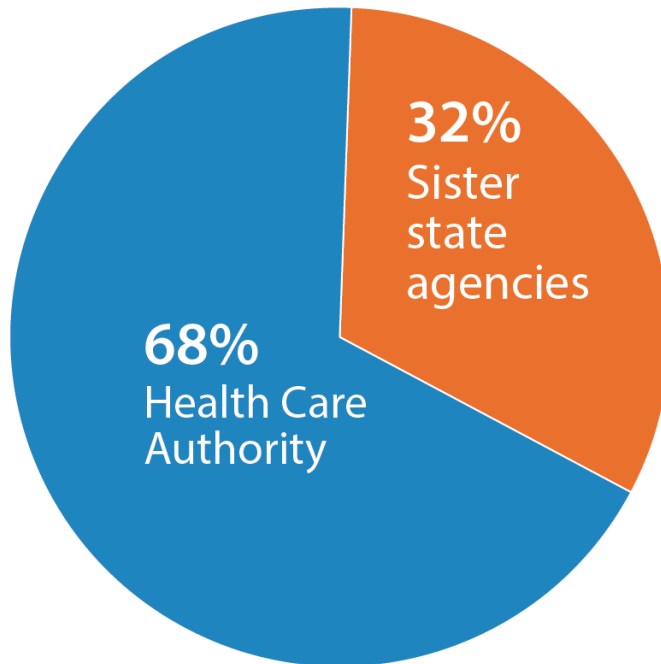
- Required by federal regulation
- Included in the State Medicaid Plan
- Assigned to the Division in HCA internal policy



# Oversight of program integrity at sister state agencies



In fiscal year 2020, one-third of \$14.6 billion  
in Medicaid funding was spent by sister state agencies



- **Department of Social and Health Services (DSHS)** – \$4.7 billion on long-term care for the elderly and people with disabilities
- **Department of Children, Youth, and Families (DCYF)** – \$56 million on services for children and young adults who have complex needs and experience significant behavioral health challenges

# Oversight of program integrity at sister state agencies



Division managers at HCA said they have not provided formal oversight:

- HCA has not ensured DSHS submit required reports
- HCA has not provided direction to the DCYF financial manager responsible for program integrity

# Oversight of program integrity at sister state agencies



The lack of oversight has three key causes:

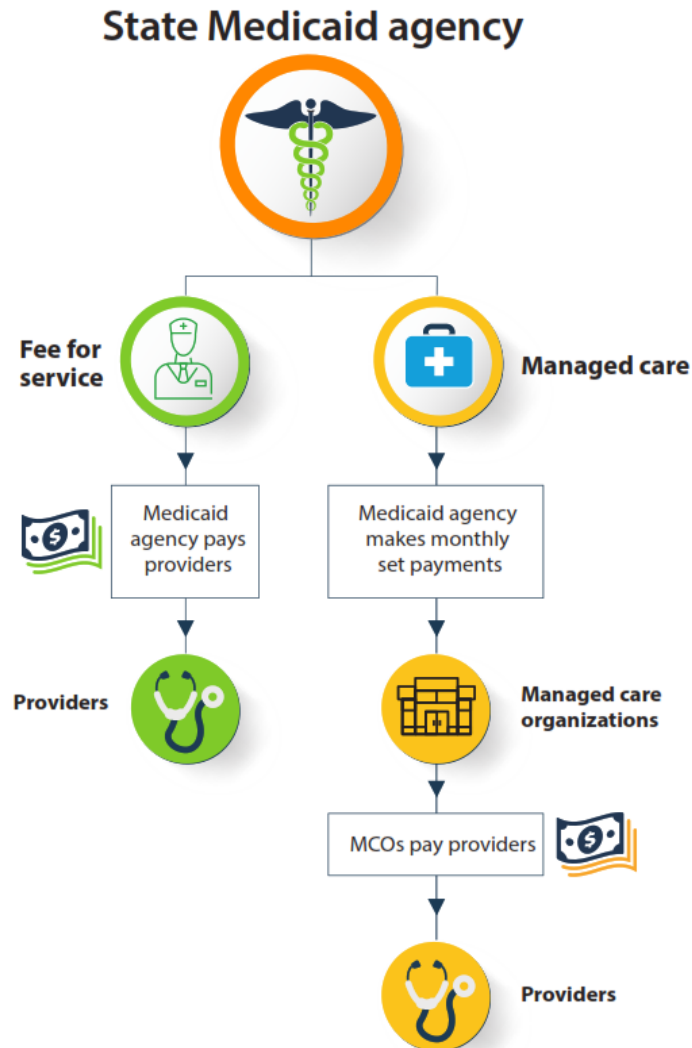
- Not assigned to any of the Division's units
- Lacks a plan outlining roles and responsibilities
- Change and transition left managers uncertain about their oversight responsibilities





# Holding MCOs accountable for program integrity

- Washington has steadily transitioned most of its clients away from fee-for-service to managed care
- Managed care requires a different approach to program integrity efforts



# Holding MCOs accountable for program integrity



Division is establishing ways to hold MCOs accountable for program integrity:

- Reports and regular meetings
- Recent encounter data audit
- New contract provisions

But could improve its oversight by directly auditing MCO providers and recovering overpayments

- Initial review not finalized due to uncertainty on recovering overpayments

# Audit selection practices



- The Division does not use risk assessments or formally established risk factors to guide its audit plan
- While Division staff look for outliers and trends, only two of four units rely on proactive data analytics to build out their workplans



# Audit selection practices



The Division does not determine the credibility of fraud allegations for leads submitted by MCOs and DSHS, so it cannot take appropriate action for many situations that merit scrutiny

- According to federal regulation, the state Medicaid agency must determine credibility of fraud allegations
- MCOs and DSHS have been sending fraud allegations directly to the Medicaid Fraud Control Division

# Audit selection practices



- Analyzing all leads from MCOs would help Division staff gain experience and monitor MCO engagement in program integrity
- By working with a Unified Program Integrity Contractor, Division could review claims across Medicare and Medicaid

# Recommendations



We recommend HCA executive management improve:

- Overall oversight through the committee structure
- Strategic planning
- Performance measurement



# Recommendations



We recommend Division managers improve:

- Strategic planning
- Oversight at sister state agencies
- Program integrity efforts with MCOs
- Audit selection practices

# Medicaid overview report



The State Auditor's Office is currently preparing a concise report summarizing our Medicaid audit program. We expect to release it soon.

**Medicaid**  
Special Report 2021

*Who gives Medicaid its financial checkup? We do!*

**In fiscal year 2020, nearly one in four Washingtonians relied on Apple Health, the state's Medicaid program.**

It's Washington's biggest single medical program, in which the state and federal governments invest more than \$14.6 billion annually. The effect of the pandemic is likely to push both enrollment and expenses higher in the coming year's audit cycle.

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# Questions





# Contact Information



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