

OFFICE OF THE STATE AUDITOR

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Medicaid Audit Unit—Annual Report

For the period March 2, 2023 through March 1, 2024



OFFICE OF THE STATE AUDITOR

MEDICAID AUDIT UNIT

March 2, 2023 through March 1, 2024

Introduction

The Office of the State Auditor (OSA) receives an annual appropriation for the operation of a Medicaid Audit Unit (the Unit) for the purposes of preventing and identifying fraud, waste, and abuse in the MassHealth system and making recommendations for improved operations. The state's fiscal year 2024 budget (Chapter 126 of the Acts of 2023) requires that OSA submit a report to the House and Senate Committees on Ways and Means by no later than March 1, 2024 that includes (1) "all findings on activities and payments made through the MassHealth system;" (2) "to the extent available, a review of all post-audit efforts undertaken by MassHealth to recoup payments owed to the commonwealth due to identified fraud and abuse;" (3) "the responses of MassHealth to the most recent post-audit review survey, including the status of recoupment efforts;" and (4) "the unit's recommendations to enhance recoupment efforts."

For fiscal year 2024, the appropriation for the Unit was \$1,399,658. This amount represents an approximately 3.0% increase over the Unit's fiscal year 2023 appropriation of \$1,358,812. OSA submits all costs (direct and indirect) associated with running the Unit to the Executive Office of Health and Human Services (EOHHS) to be included in its quarterly filings with the Centers for Medicare & Medicaid Services (CMS) for federal cost sharing. In federal fiscal year 2023, OSA submitted a total of \$1,383,626 to EOHHS for consideration for the state's program integrity, allowing the state to obtain a 50%, or \$691,813, reimbursement of these costs.

This report, which is being submitted by OSA in accordance with Chapter 126 of the Acts of 2023, provides a summary of the following performance audit of MassHealth: capitation payments made to ineligible members who reside and receive benefits in another state or territory.

This report details potential missed cost savings of \$84,832,094 for ineligible MassHealth members residing and receiving benefits in another state or territory. It also describes corrective actions MassHealth is taking in response to this audit issued at least six months ago, for which follow-up surveys have been completed. MassHealth and the two MassHealth providers who were audited reported

actions or planned actions on four (100%) of our four audit recommendations, which will improve operational efficiency and effectiveness.

Background

EOHHS administers the state's Medicaid program, known as MassHealth. This program provides access to healthcare services annually to approximately 2.4 million eligible low- and moderate-income children, families, seniors, and people with disabilities. In fiscal year 2023, MassHealth paid more than \$21.7 billion to healthcare providers, of which approximately 37% was paid by the Commonwealth. Expenditures, including administration costs, for the Medicaid program represent approximately 36% of the Commonwealth's total annual budget.

Heightened concerns over the integrity of Medicaid expenditures were raised in January 2003, when the US Government Accountability Office (GAO) placed the US Medicaid program on its list of government programs that are at "high risk" of fraud, waste, abuse, and mismanagement. At that time, GAO estimated that between 3% and 10% of total healthcare costs were lost to fraudulent or abusive practices by unscrupulous healthcare providers. Based on these concerns, OSA began conducting audits of Medicaid-funded programs and, as part of its fiscal year 2007 budget proposal, submitted a request to establish a Medicaid Audit Unit within its Division of Audit Operations dedicated to detecting fraud, waste, and abuse in the MassHealth program. With the support of the Massachusetts Legislature and the Governor, this proposal was acted upon favorably and has continued to be funded in subsequent budgets. Since that time, OSA has maintained ongoing independent oversight of the MassHealth program and its contracted service providers. Since 2007, audit reports issued by OSA have identified weaknesses in MassHealth's controls to prevent and detect fraud, waste, abuse, and mismanagement in the Massachusetts Medicaid program as well as improper claims for Medicaid services.

OSA uses data analytics in all audits conducted by the Unit. By doing so, our auditors can identify areas of high risk, isolate outlier providers, and in many cases perform reviews of 100% of the claims under audit, thus significantly improving the integrity, efficiency, and effectiveness of our audits. Moreover, in many cases, data analytics has enabled the Unit to fully quantify the financial effects of improper payments, whether they involve one claim or 10 million claims. The use of data analytics techniques has enabled the Unit to: (1) identify greater cost recoveries and savings; (2) isolate weaknesses in claim-processing systems, and; (3) make recommendations regarding MassHealth's system and program regulations to promote future cost savings, improve service delivery, and make government work better.

COMPLETED AUDITS

(MARCH 2, 2023 THROUGH MARCH 1, 2024)

During this reporting period, the Office of the State Auditor (OSA) released one audit report on MassHealth’s compliance with state and federal laws, regulations, and other applicable authoritative guidance. This report identified an estimated \$84,832,094 for capitation payments¹ made on behalf of members who were residing outside of Massachusetts. The report also provided several recommendations to strengthen internal controls and oversight in MassHealth’s program administration. The following is a summary of our Medicaid audit work.

1. Office of Medicaid (MassHealth)—Review of Capitation Payments

Audit Number	2022-1374-3M5
Audit Period	January 1, 2018 – September 30, 2021
Issue Date	June 28, 2023
Number of Findings	1
Number of Recommendations	4
Total Improper Billings	\$84,832,094 (estimated)
MassHealth Recouping Payments	N/A

Background and Reason for Audit

The purpose of this audit was to determine whether MassHealth ensured that it did not make capitation payments to managed care organizations (MCOs) on behalf of ineligible members who were residing and receiving benefits in other states or US territories. OSA conducted the audit as part of our ongoing independent statutory oversight of the state’s Medicaid program.

1. Capitation payments are set payments to a managed care organization from MassHealth to provide healthcare for its members. These payments are paid monthly for each MassHealth member enrolled in the managed care organization.

Summary of Finding and Recommendation

OSA reported one finding in this audit:

1. MassHealth made an estimated \$84,832,094 in capitation payments on behalf of members who were residing outside of Massachusetts.

OSA’s recommendations to MassHealth were as follows:

1. MassHealth should revise its policies and procedures regarding its data matches for member eligibility. Specifically, MassHealth should require that all members flagged by data matches submit documentation to substantiate that they reside in Massachusetts. If the member does not provide this documentation, MassHealth should either pause this member’s coverage or move the member to its fee-for-service model until it can determine whether the member’s coverage should be terminated.
2. MassHealth should investigate and resolve all instances where its data matches indicate that a member is enrolled in another state’s Medicaid program.
3. MassHealth should provide members with written instructions during the annual enrollment process on how to unenroll from MassHealth if they move outside of Massachusetts.
4. MassHealth should consult with CMS to see if it can gain access to the Transformed Medicaid Statistical Information System (T-MSIS),² which MassHealth can use in its eligibility detection and residency verification process.

EOHHS’s Comments

Below is a summary of EOHHS’s response to the audit report.

EOHHS Response	OSA Response
EOHHS claimed the OSA’s conclusion of the audit is overly broad. OHHHS claimed the OSA’s conclusion of the audit is overly broad	<ul style="list-style-type: none"> • EOHHS misinterpreted the audit objective. • EOHHS did not directly explain why MassHealth made ineligible payments. • EOHHS overstated the effect of MassHealth’s residency eligibility verification steps.
EOHHS stated the sample was not representative of the entire MCO population.	<ul style="list-style-type: none"> • EOHHS misrepresented the rigorous statistical methods OSA and HHS OIG used to create and test the sample.

2. T-MSIS is a database maintained by the federal CMS that contains Medicaid data from all 50 states, the District of Columbia, and the US territories to maintain an accurate, up-to-date, and complete data set of eligibility, enrollment, and healthcare service claims data about Medicaid members.

EOHHS disagreed with the use of the extrapolation.

- **EOHHS misstated the methods that OSA and HHS OIG used to determine whether MassHealth made ineligible capitation payments for individuals living in another state.**
- **EOHHS misrepresented the rigor of the statistical methods used to extrapolate to the targeted population.**

EOHHS noted that the audit period overlapped the coronavirus pandemic.

- **EOHHS missed opportunities to verify residency given greater fluctuations in residency.**

EOHHS claimed it had policies and procedures in place that require individuals to submit documentation to substantiate their residency.

- **EOHHS has insufficient policies and procedures regarding its residency verification process.**
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While EOHHS disagreed with our conclusion on the capitation audit, EOHHS provided a 6 month update and indicated they fully implemented 3 of our 4 recommendations and the forth is in progress.

CURRENT INITIATIVES

During this reporting period, the Office of the State Auditor (OSA) began or continued work on six audits of MassHealth's administration of the Medicaid program and Medicaid service providers' compliance with state and federal laws, regulations, and other authoritative guidance. These audits were selected based on OSA's research and are using y data analytics to identify areas of risk in the state's Medicaid program. Based on preliminary analysis and previous audit results, we anticipate that these audits will continue to identify improper payments and areas for improvement in MassHealth's administration of program services. Where applicable, the audits will include recommendations to strengthen internal controls and oversight in MassHealth's program administration. The following is a summary of our Medicaid audit work in process.

- OSA is conducting a review of MassHealth's telehealth services for adult foster care for the period January 1, 2020 through December 31, 2021. This audit will determine whether MassHealth ensures the program integrity of its telehealth services, in accordance with federal and state requirements.
- OSA is conducting a review of MassHealth's telehealth services for adult day health for the period January 1, 2020 through December 31, 2021. This audit will determine whether MassHealth paid adult day health providers in accordance with its telehealth policies and state regulations. In addition, as part of this review OSA will work with the US Department of the Treasury on a review of capitation payments for MassHealth members who have been identified as deceased by the US Department of the Treasury's Do Not Pay service. OSA will identify the reasons this occurred and make the appropriate recommendations to MassHealth to resolve any issues.
- OSA is conducting a review of MassHealth claims submitted by Dental Arts for the period July 1, 2019 through June 30, 2023. This audit will determine whether dental services provided to MassHealth members were properly supported by documentation and were allowable in accordance with certain MassHealth regulations.
- OSA is conducting a review of MassHealth claims submitted for non-emergency transportation for the period July 1, 2020 through June 30, 2023. This audit will determine whether MassHealth's non-emergency transportation broker process provides equal opportunity to contracted providers throughout the Commonwealth, whether non-emergency transportation claims were properly authorized, and whether transportation drivers and attendants consistently have a Criminal Offender Record Information check.
- OSA is working with the US Department of Health and Human Services Office of Inspector General (Boston office) to review improperly paid capitation payments for MassHealth members with multiple Medicaid identification numbers for the period January 1, 2019 through December 31, 2022. OSA will determine whether MassHealth made capitation payments for Massachusetts

Medicaid beneficiaries with multiple MassHealth member identification numbers. As applicable, OSA will identify the reasons this occurred and make recommendations to resolve any issues.

- OSA is conducting a review of MassHealth claims submitted by University of Massachusetts Memorial Healthcare (UMMH) for inpatient maternity care during the period July 1, 2020 through June 30, 2023. This audit will determine whether claims were submitted to MassHealth in accordance with its regulations and whether UMMH appropriately used state allocated funds. This audit will also examine UMMH's system for tracking and reporting births to the Department of Public Health.

AUDIT IMPACT AND POST-AUDIT EFFORTS

The objectives of the performance audits conducted by the Office of the State Auditor (OSA) at MassHealth and its providers are not only to identify improper payments for Medicaid services, but also to identify any systemic problems such as deficiencies in internal controls that may exist within the MassHealth system. Measures such as referring cases to law enforcement for prosecution, recommending restitution, and taking other remedial actions against individual Medicaid vendors are typical results of OSA audits and serve as a deterrent against future waste, fraud, and abuse. However, systemic changes that MassHealth makes as a result of OSA audits, in many instances, have a more significant effect on the overall efficiency and integrity of the operation of Medicaid-funded programs.

To assess the impact of our audits and the post-audit efforts made by auditees to address issues raised in our reports, OSA has implemented a post-audit review (PAR) survey process that is conducted six months after the release of an audit. This process documents the status of the recommendations made by OSA, including any corrective measures taken by the auditee, as well as any estimates of future cost savings resulting from changes made based on our recommendations.

During the reporting period, OSA issued, and agencies completed, four PAR surveys for Medicaid audits. This number reflects audits with findings issued at least six months ago for which follow-up surveys have been completed. The self-reported surveys are issued six months after an audit is issued to allow management time to plan and implement its corrective action(s).

According to the survey results received, MassHealth and its providers reported that they have acted, or will act, on implementing the 9 recommendations. Summaries of the PAR surveys follow.

1. Audit of the Office of Medicaid (MassHealth)—Review of Capitation Payments

Audit No.	2022-1374-3M5
Issue Date	June 28, 2023
PAR Survey Date	December 11, 2023
Total Recommendations	4
Fully Implemented Recommendations	3
Recommendations in Progress	1
Fiscal Benefit	N/A

This audit was conducted in conjunction with the US Department of Health and Human Services Office of Inspector General and had the following findings:

1. MassHealth made an estimated \$84,832,094 in capitation payments on behalf of members who were residing outside of Massachusetts.

In its response to the PAR survey, MassHealth indicated that the following three of OSA’s four recommendations were fully implemented:

1. MassHealth should revise its policies and procedures regarding its data matches for member eligibility. Specifically, MassHealth should require that all members flagged by data matches submit documentation to substantiate that they reside in Massachusetts. If the member does not provide this documentation, MassHealth should either pause this member’s coverage or move the member to its fee-for-service model until it can determine whether the member’s coverage should be terminated.
2. MassHealth should investigate and resolve all instances where its data matches indicate that a member is enrolled in another state’s Medicaid program.
3. MassHealth should provide members with written instructions during the annual enrollment process on how to unenroll from MassHealth if they move outside of Massachusetts.

In addition, MassHealth had the following responses to the recommendation still in progress:

1. MassHealth should consult with CMS to see if it can gain access to T-MSIS, which MassHealth can use in its eligibility detection and residency verification process.

In its PAR survey, MassHealth stated the following:

MassHealth has reached out to CMS to set up a meeting to inquire about gaining access to the Transformed Medicaid Statistical Information System.

2. Audit of the Office of Medicaid (MassHealth)—Review of Telehealth

Audit No.	2021-1374-3M2
Issue Date	November 23, 2022
PAR Survey Date	May 31, 2023
Total Recommendations	1
Fully Implemented Recommendations	1
Recommendations in Progress	N/A
Fiscal Benefit	N/A

The finding from the audit of a review of telehealth behavioral health services found that MassHealth made payments totaling \$91,852,881 to its providers for telehealth behavioral health services that were not properly documented.

In the PAR survey, MassHealth stated that it had fully implemented both recommendations.

3. Audit of the Office of Medicaid (MassHealth)—Review of Continuity of Operations Plan

Audit No.	2022-1374-3M4
Issue Date	July 15, 2022
PAR Survey Date	April 28, 2023
Total Recommendations	4
Fully Implemented Recommendations	2
Recommendations Planned	1
Recommendations in Progress	1
Fiscal Benefit	N/A

The findings from the audit of a review of MassHealth’s continuity of operations plan (COOP) found the following:

- MassHealth did not annually update its COOP or conduct staff training or exercises related to the plan
- MassHealth did not annually update or test its disaster recovery plan (DRP)

In response to the above findings, OSA provided four recommendations within the previously issued audit report. Responses provided by MassHealth as part of the PAR survey are as follows:

OSA Recommendations Fully Implemented by MassHealth

1. MassHealth should establish monitoring controls to ensure that it properly adheres to the policies and procedures it has established for updating and testing its COOP.
2. MassHealth should work with EOHHS to annually update its COOP and conduct staff training and exercises

OSA Recommendation Partially Implemented by MassHealth

3. MassHealth should establish written policies and procedures for assigning, managing, and monitoring its DRP.

Specifically, in its PAR survey, MassHealth stated the following:

MassHealth established the written policies and procedures for its Disaster Recovery Plan as a component of its Information System Contingency Plan (ISCP). MassHealth is in the process of finalizing its [calendar year 2023] review of the ISCP. In addition, MassHealth will be planning the ISCP Testing exercise later in [calendar year 2023].

OSA Recommendation Not Yet Implemented by MassHealth

4. MassHealth should identify an offsite disaster recovery location to use for the Medicaid Management Information System (MMIS). Once the site has been selected, MassHealth should test the updated DRP and incorporate the results into it.

Specifically, in its PAR survey, MassHealth stated the following:

MassHealth is preparing to migrate MMIS disaster recovery to Amazon Web Services (AWS) cloud space. Due to the complexity of the technology implementation, the significant cyber security reviews, and the involvement of multiple agencies, this migration will take some time. MassHealth expects to complete the migration by Summer 2024. MassHealth will perform the migration in close coordination with the Executive Office of Technology Services and Security (EOTSS), which is in the process of closing its Chelsea and Springfield data centers and migrating to the AWS cloud as part of its Cloud First strategy. When the migration is complete, MMIS will take advantage of DRP services available within the AWS cloud. The MMIS DRP will then be updated, tested, and integrated into the regular DRP monitoring schedule.