



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued October 18, 2019

Office of Medicaid (MassHealth)—Review of Accounts Receivable

For the period January 1, 2015 through December 31, 2017





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October 18, 2019

Ms. Marylou Sudders, Secretary
Executive Office of Health and Human Services
1 Ashburton Place, 11th Floor
Boston, MA 02108

Dear Secretary Sudders:

I am pleased to provide this performance audit of MassHealth. This report details the audit objectives, scope, methodology, finding, and recommendation for the audit period, January 1, 2015 through December 31, 2017. My audit staff discussed the contents of this report with management of MassHealth, whose comments are reflected in this report.

I would also like to express my appreciation to MassHealth for the cooperation and assistance provided to my staff during the audit.

Sincerely,

Suzanne M. Bump
Auditor of the Commonwealth

cc: Daniel Tsai, Assistant Secretary and Director, Office of Medicaid
Alda Rego, Assistant Secretary for Administration and Finance, Executive Office of Health and Human Services
Susan Harrison, Director of Program Integrity, Office of Medicaid
Joan Senatore, Director of Compliance, Office of Medicaid
Teresa Reynolds, Executive Assistant to Secretary Sudders

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EXECUTIVE SUMMARY

The Office of the State Auditor (OSA) receives an annual appropriation for the operation of a Medicaid Audit Unit to help prevent and identify fraud, waste, and abuse in the Commonwealth's Medicaid program. This program, known as MassHealth, is administered under Chapter 118E of the Massachusetts General Laws by the Executive Office of Health and Human Services, through the Division of Medical Assistance. Medicaid is a joint federal-state program created by Congress in 1965 as Title XIX of the Social Security Act. At the federal level, the Centers for Medicare & Medicaid Services, within the US Department of Health and Human Services, administer the Medicare program and work with state governments to administer state Medicaid programs.

OSA has conducted an audit of MassHealth's accounts receivable from providers¹ for the period January 1, 2015 through December 31, 2017. The purpose of this audit was to determine whether MassHealth effectively manages its accounts receivable with regard to write-offs of uncollectible accounts receivable. The audit was conducted as part of OSA's ongoing independent statutory oversight of the state's Medicaid program.

Below is a summary of our finding and recommendation, with links to each page listed.

Finding 1 Page 5	MassHealth does not effectively administer its uncollectible accounts receivable balances.
Recommendation Page 6	MassHealth should develop policies and procedures regarding how it will determine when to write off accounts receivable that it has deemed uncollectible, as well as monitoring controls to ensure that these policies and procedures are adhered to.

1. Accounts receivable can result from various activities, such as general overpayments because of human error, retroactive decreases in payment rates, Medicare payments that offset some of the costs billed to MassHealth, and payments made to service providers that have been questioned because of audits.

OVERVIEW OF AUDITED ENTITY

Under Chapter 118E of the Massachusetts General Laws, the Executive Office of Health and Human Services, through the Division of Medical Assistance, administers the state's Medicaid program, known as MassHealth. MassHealth provides access to healthcare services for approximately 1.9 million eligible low- and moderate-income children, families, seniors, and people with disabilities annually. In fiscal year 2017, MassHealth paid healthcare providers more than \$15 billion, of which approximately 50% was funded by the Commonwealth. Medicaid expenditures represent approximately 39% of the Commonwealth's total annual budget.

During our audit period, MassHealth's new accounts receivable totaled approximately \$625 million; it collected more than \$616 million of this amount and did not remove and write off accounts receivable as uncollectible. As of December 31, 2017, MassHealth had 30,948 accounts receivable, totaling approximately \$12.76 million, that were more than two years old.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of MassHealth for the period January 1, 2015 through December 31, 2017.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is our audit objective, indicating the question we intended our audit to answer, the conclusion we reached regarding the objective, and where the objective is discussed in the audit findings.

Objective	Conclusion
1. Is MassHealth effectively managing its accounts receivable with regard to write-offs of uncollectible accounts receivable?	No; see Finding <u>1</u>

Methodology

We gained an understanding of the internal controls over recording accounts receivable and writing off uncollectible accounts receivable that we deemed significant to our audit objective through inquiries with MassHealth officials. In addition, we performed the following procedures to obtain sufficient, appropriate audit evidence to address our audit objective.

We obtained a list of accounts receivable as of December 31, 2017 from MassHealth officials and performed the following procedures to assess the reliability and validity of the list: (1) testing for missing data, (2) scanning for duplicate records, (3) looking for dates outside specific time periods, (4) tracing a sample of entries to source documents, and (5) reconciling the list of accounts receivable to the Maintenance Management Information System (MMIS). To do so, we selected from MMIS a nonstatistical judgmental sample of 194 accounts receivable and reconciled fields such as original amount owed, recoupment amount, and outstanding balance to the December 31, 2017 accounts receivable list. For the data obtained from MMIS, we relied on the work performed by OSA in a separate

project that tested certain information system controls, and we interviewed knowledgeable agency officials about the data. Based on these procedures, we determined that the data obtained were sufficiently reliable for the purposes of this report.

MassHealth management told us that the agency had not written off any accounts receivable during the audit period. We analyzed the length of time accounts receivable had not been received in full and identified those that might be uncollectible.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. MassHealth does not effectively administer its uncollectible accounts receivable balances.

MassHealth does not write off uncollectible amounts from its accounts receivable balances even though there are thousands of accounts receivable that are at least 2, and sometimes more than 10, years old and are therefore unlikely to be collected. Unless its accounts receivable balances are accurate, MassHealth is not ensuring that its accounts receivable records represent amounts that can reasonably be expected to be collected, which could impact its ability to effectively manage the accounts receivable process.

As of December 31, 2017, MassHealth had 30,948 uncollectible accounts, totaling approximately \$12.76 million, that were at least 2 years old and sometimes more than 10 years old:

Ages of Accounts Receivable	Number of Accounts Receivable	Amount of Accounts Receivable
2–3 Years	13,116	\$ 1,729,061
3–5 Years	6,338	1,991,911
5–10 Years	11,106	3,753,517
More Than 10 Years	388	5,286,499
Total	<u>30,948</u>	<u>\$ 12,760,988</u>

Authoritative Guidance

Under Section 9.08 of Title 815 of the Code of Massachusetts Regulations, state agencies are allowed to write off, or remove from their financial records, any debts that they have determined to be uncollectible once they have submitted a request for the write-off to the Office of the Comptroller of the Commonwealth and this request has been approved.

Reasons for Issues

MassHealth has not established policies and procedures for how to determine when accounts receivable may be uncollectible and when to remove or write off these accounts from its records.

Recommendation

MassHealth should develop policies and procedures regarding how it will determine when to write off accounts receivable that it has deemed uncollectible, as well as monitoring controls to ensure that these policies and procedures are adhered to.

Auditee's Response

MassHealth disagrees that it is "not ensuring that its accounts receivable balances are accurate," as stated in the . . . draft audit report. The accounts receivable balances are accurate with the exception of the subset of uncollectible accounts. MassHealth actively pursues the collection of all its accounts receivables, generally by offsetting them against MassHealth payments for claims. Providers can submit these claims sporadically over many years. Only after MassHealth has exhausted all collection attempts will the accounts receivables be deemed uncollectible and written off. . . .

MassHealth agrees that it should formalize its policies and procedures for determining when accounts receivables are deemed uncollectible and written off. We will also implement monitoring controls to ensure adherence to these policies. MassHealth has commenced a weekly workgroup to discuss, develop, and document new policies and procedures regarding writing off provider debt. The workgroup will engage with the Office of the Comptroller to ensure that the policies and procedures under development align with the Commonwealth's best practices for uncollectible debt write offs.

Auditor's Reply

We found that MassHealth does not write off uncollectible amounts from its accounts receivable balances and consequently, as stated above, its accounts receivable records are not accurate. Although MassHealth may make reasonable efforts to collect these amounts, our issue is not with the collection of these funds; rather, it is with the fact that MassHealth does not write off uncollectible amounts, even when they are more than 10 years old and therefore are clearly unlikely to be collected.

Based on its response, MassHealth is taking measures to address our concerns regarding this matter.