Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump
Making government work better

Official Audit Report – Issued April 28, 2017

Office of Medicaid (MassHealth)—Review of Payments for Nursing-Facility Claims

For the period January 1, 2010 through June 30, 2015

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April 28, 2017

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

Dear Ms. Sudders:

I am pleased to provide this performance audit of the Office of Medicaid's (MassHealth's) payments for nursing-facility claims. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, January 1, 2010 through June 30, 2015. My audit staff discussed the contents of this report with management of the agency, 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, MassHealth
Alda Rego, Assistant Secretary, EOHHS, Administration and Finance
Teresa Reynolds, Executive Assistant to Secretary Sudders
Joan Senatore, Office of Medicaid, Compliance and Program Integrity

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LIST OF ABBREVIATIONS

CHIA	Center for Health Information and Analysis
CMR	Code of Massachusetts Regulations
DPH	Department of Public Health
EOHHS	Executive Office of Health and Human Services
MMIS	Medicaid Management Information System
MMQ	Management Minutes Questionnaire
OLTSS	Office of Long Term Services and Supports
OSA	Office of the State Auditor
PCU	Provider Compliance Unit

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 state's Medicaid program. That program, known as MassHealth, is administered by the Executive Office of Health and Human Services (EOHHS), 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 and 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 payment of claims submitted by nursing facilities during the period January 1, 2010 through June 30, 2015. The purpose of this audit was to determine whether MassHealth properly paid nursing facilities for room and board provided to members, in accordance with applicable laws, regulations, and other authoritative guidance.

This audit was conducted as part of OSA's ongoing independent statutory oversight of the state's Medicaid program. Several of our previously issued audit reports have disclosed significant weaknesses in MassHealth's claim-processing system, which resulted in millions of dollars of unallowable and potentially fraudulent claim payments. As with any government program, public confidence is essential to the success and continued support of the state's Medicaid program. In order to ensure that nursing-facility claims are paid properly, MassHealth must have effective controls in place, including program regulations, operating policies and procedures, control activities, claim-processing system edits, monitoring activities, and enforcement action.

Based on our audit, we have concluded that MassHealth overpaid approximately $1 million to nursing facilities for room and board. This amount includes all services (such as skilled services, assistance with activities of daily living, and nursing services) provided to MassHealth members during the audit period.

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 **Page 9**	MassHealth did not recover $639,445 of overpayments to nursing facilities.
Recommendations **Page 10**	1. MassHealth should develop system edits that adjust all affected nursing-facility claims after audits that are based on Management Minutes Questionnaires (MMQs), rather than relying on nursing facilities to resubmit adjusted claims. 2. MassHealth should recover the $639,445 that we identified in overpayments to nursing facilities.
Finding 2 **Page 11**	MassHealth did not ensure that records of members' care levels were updated promptly in its Medicaid Management Information System (MMIS); this caused $326,201 of overpayments to nursing facilities.
Recommendations **Page 12**	1. MassHealth should develop policies and procedures to validate that it promptly updates members' levels of care in MMIS. 2. MassHealth should recover the $326,201 that we identified in overpayments to nursing facilities.
Finding 3 **Page 13**	MassHealth did not update the specific claim information in MMIS for approximately $3 million of recoupments from nursing facilities.
Recommendation **Page 14**	MassHealth should ensure that all recoupments are reflected in MMIS's specific claim information.
Finding 4 **Page 14**	MassHealth granted MMIS access privileges to staff members without proper documentation.
Recommendation **Page 15**	MassHealth should formally document all manager access-privilege requests on properly approved EOHHS Security Request Forms.

Post-Audit Action

In MassHealth's ongoing effort to enhance Medicaid program integrity, and in conjunction with OSA's audit, MassHealth has identified the need to improve processes for conducting MMQ audits and for identifying and recouping all overpayments made to nursing facilities as a result of incorrect application of member levels of care when determining amounts to be paid to nursing facilities.

To make the process more efficient, MassHealth is procuring a third-party administrator to conduct the MMQ audits, improve the processing of nursing-facility claims, and record necessary adjustments to such claims. MassHealth's goal for this initiative is to determine and recover nursing-facility recoupments more accurately and quickly. To date, MassHealth has not been able to automate the adjustment and recoupment process in MMIS because of system limitations. Therefore, MassHealth

performs recoupment audits every two to three years. To ensure that overpayments identified by OSA are collected, MassHealth is extending its 2017 recoupment efforts to include nursing-facility payments from 2010.

OVERVIEW OF AUDITED ENTITY

Under Chapter 118E of the Massachusetts General Laws, the Executive Office of Health and Human Services (EOHHS), through the Division of Medical Assistance, administers the state's Medicaid program, known as MassHealth. MassHealth provides access to healthcare services to approximately 1.9 million eligible low- and moderate-income children, families, seniors, and people with disabilities annually. In fiscal year 2016, MassHealth paid healthcare providers more than $14.8 billion, of which approximately 50%[1] was funded by the Commonwealth. Medicaid expenditures represent approximately 39% of the Commonwealth's total annual budget.

According to Section 456 of Title 130 of the Code of Massachusetts Regulations, MassHealth covers medically necessary services provided to members in nursing facilities. The following table shows the numbers of claims, nursing facilities, and members served, and the amounts paid, for room and board during the audit period.

Calendar Year	Claims	Nursing Facilities	Members Served	Amount Paid
2010	392,397	370	44,825	$1,566,080,456
2011	402,063	381	44,332	1,522,420,316
2012	389,703	375	43,289	1,478,214,747
2013	379,561	379	42,920	1,429,638,091
2014	377,757	404	42,519	1,414,228,976
2015 (through June 30)	184,371	378	33,593	688,848,925
Total	2,125,852			$8,099,431,511

Nursing Facilities

Nursing facilities provide supportive and protective living environments for the elderly and people with disabilities. The Massachusetts Department of Public Health (DPH) licenses and regulates nursing facilities. DPH regulations require all nursing facilities to provide skilled services, assistance with activities of daily living, and nursing services. Examples of these types of services are listed below.

1. During the federal government's fiscal year 2016, the Federal Medical Assistance Percentage for Massachusetts was 50%.

Skilled Services

- observing and evaluating unstable medical conditions
- administering oxygen regularly
- providing physical, speech, and occupational therapy

Activities of Daily Living

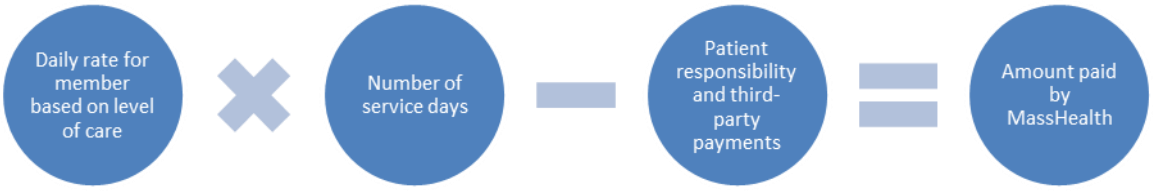
- assisting with mobility, bathing, eating, dressing, and toileting

Nursing Services

- providing and monitoring prescription medication use
- monitoring vital signs
- assisting with behavioral issues

Payment to Nursing Facilities

MassHealth provides payment to nursing facilities based on rates that are determined by the Center for Health Information and Analysis (CHIA) and approved by EOHHS. CHIA rates are specific to each nursing facility and are adjusted periodically. Additionally, each facility has a rate assigned for each of six level-of-care groups. When a member is admitted to a nursing facility, the nursing facility determines the member's appropriate level of care, which it redetermines every six months after that. MassHealth pays nursing facilities based on the applicable rate for each member's level of care and the number of service days, applicable third-party payments, and the amount each member is required to pay. The following illustration shows the payment calculation for nursing-facility room and board.



Management Minutes Questionnaires

As noted above, nursing facilities are responsible for periodically updating members' levels of care. Levels of care are determined using Management Minutes Questionnaires (MMQs). The MMQ has a

series of questions about a member's nursing needs. Facilities complete and submit an MMQ for a member when s/he is admitted to the facility and semiannually thereafter. They are required to maintain documentation to support the levels of care determined for their members.

MMQ Audits

Every six months, MassHealth's Office of Long Term Services and Supports (OLTSS) performs MMQ audits at nursing facilities to ensure that the level of care (the MMQ score) recorded in each member's file is accurate. After an MMQ audit of a facility, MassHealth's MMQ nurses (employed by OLTSS) give the facility a letter detailing the audit results. This letter details which members' levels of care for previously provided services should be adjusted to reflect a new MMQ score, and it instructs the nursing facility to submit any necessary adjusted claims to MassHealth's contractor Maximus for reprocessing. Facilities are required to make these adjustments within 30 days. The clinical nurse manager in charge of the MMQ audits sends all MMQ score changes to Maximus to be keyed into MassHealth's Medicaid Management Information System (MMIS) so that MMIS automatically bases future payments to nursing facilities on the adjusted MMQ scores. All MMQ audit files are then sent to MassHealth's Provider Operations Unit to be filed.

Every two years, MassHealth's Provider Compliance Unit (PCU) performs a review of all nursing-facility claims that should have corresponding adjusting entries as a result of the MMQ audit process. The PCU analyzes the claim data submitted by nursing homes to capture any claims for which nursing facilities did not properly adjust, and it manually recoups any overpayments of such claims.

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, 2010 through June 30, 2015.

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 this objective, and where the objective is discussed in the audit findings.

Objective	Conclusion
1. Did MassHealth pay nursing facilities the proper amount for services provided to members?	**No; see Findings 1, 2, 3, and 4**

In order to meet our objective, we reviewed applicable state and federal laws, regulations, and other authoritative guidance; MassHealth Provider Bulletins and transmittal letters; and MassHealth's Claims Operations Department's internal control plan. To gain an understanding of the payment process for nursing facilities, we interviewed officials from MassHealth; the Center for Health Information and Analysis;[2] and three nursing facilities: St. Joseph's Rehabilitation and Nursing Care Center, Kimwell Nursing and Rehabilitation, and Golden Living Center—Oak Hill.

We identified and tested key controls over the payment process for nursing-facility claims that were significant to our audit objectives and evaluated the design and effectiveness of those controls. They were operating as designed, ensuring that nursing facilities' per diem rates and members' levels of care were updated in MassHealth's Medicaid Management Information System (MMIS). However, the controls that were set in place to ensure that nursing facilities submitted adjusted claims based on the

2. The Center for Health Information and Analysis is responsible for determining rates to be paid to nursing facilities. These rates are maintained as tables in MassHealth's Medicaid Management Information System.

results of Management Minutes Questionnaire (MMQ) audits, and to ensure that MMQ scores in member files were changed promptly, were poorly designed.

We performed recalculations on all nursing-facility claims that were subject to MMQ audits. For each of the 34,572 claims that required an adjustment, we performed recalculations[3] to determine whether the nursing facility submitted adjusted claims. Additionally, for all members whose levels of care were reduced because of MMQ audits, we determined whether MassHealth made timely updates to the level of care in MMIS and whether these updates led to proper payments. We determined whether MassHealth's Provider Compliance Unit made recoupments for any of the identified overpayments.

The OSA Data Analytics Unit provided the audit team with a preliminary list of potentially improper payments to nursing facilities for room and board during the audit period. We selected statistical[4] samples totaling 125 of these payments and tested 100% of the populations for two of the identified risk factors for an additional 20 samples, for a total of 145 samples from a population of 195,909. We performed recalculations on the amounts paid, using the rate table and members' level-of-care information stored in MMIS. We used statistical samples so that we could project the test results to the entire population of nursing-facility claims.

In a prior audit, OSA tested information-system controls in MMIS by reviewing existing information about security policies for data, testing selected information-system controls, and interviewing knowledgeable agency officials about the data. As part of our testing of information-system controls, we reviewed controls over MassHealth employee access privileges that permitted changes to nursing facilities' rates and members' levels of care; we did this by reviewing documentation supporting manager approval. Additionally, we performed validity and integrity tests on all claim data, including (1) testing for missing data, (2) testing and scanning for duplicate records, (3) testing for values outside a designated range, (4) looking for dates outside specific time periods, and (5) tracing samples of claims to information stored in the Data Warehouse, the repository for Medicaid member identification and claim payment information. Based on the procedures performed, we determined that the data obtained were sufficiently reliable for the purposes of this report.

3. For all members who had level-of-care adjustments made because of MMQ audits, we recalculated the amount MassHealth should have paid nursing facilities, giving consideration to the evaluation and the effective dates of MMQ score changes.
4. We based our sample sizes on a confidence level of 90% with a tolerable error rate of 10%.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. MassHealth did not recover $639,445 of overpayments to nursing facilities.

MassHealth does not have adequate procedures to ensure that all overpayments identified through Management Minutes Questionnaire (MMQ) audits are recovered from nursing facilities within 30 days. Additionally, MassHealth's Provider Compliance Unit (PCU) did not identify, as part of its biennial audit process, all claims that nursing facilities were supposed to resubmit for adjustment after MMQ audits. As a result, MassHealth did not recover $639,445 in overpayments (on 1,020 claims) from the total population of claims that it had made to nursing facilities during the audit period. This money could have been used to provide other program services.

MassHealth periodically audits nursing-facility medical records to ensure that the level of care assigned to members is proper, in order to avoid overpayments.

Authoritative Guidance

According to Section 456.420(E) of Title 130 of the Code of Massachusetts Regulations (CMR), MassHealth requires nursing facilities to resubmit claims for adjustment for any members whose levels of care are reduced after an MMQ audit. In support of this regulation, MassHealth sends nursing facilities a letter after each MMQ audit, including the following statement:

> *For a claim that has already been paid . . . the facility is required to submit an adjusted claim reflecting the audited MMC [level of care] directly to Maximus. . . . If the facility does not submit an adjusted claim for the overpayments within 30 days, the facility may be subject to administrative action by the Office of Medicaid.*

Reasons for Overpayments

MassHealth relies on nursing facilities to resubmit adjusted claims within 30 days after MMQ audits, rather than making the necessary adjustments itself. In addition, data analysis performed by MassHealth's PCU did not effectively identify all claims that were not resubmitted for adjustment after MMQ audits.

Recommendations

1. MassHealth should develop system edits that adjust all affected nursing-facility claims after MMQ audits, rather than relying on nursing facilities to resubmit adjusted claims.

2. MassHealth should recover the $639,445 that we identified in overpayments to nursing facilities.

Auditee's Response

MassHealth provided the following response to our original draft report, which identified a total of $654,761 in overpayments. Our final calculation for the overpayment is $639,445.

> *MassHealth currently adjusts all affected nursing facility claims on a prospective basis after Management Minute Questionnaire (MMQ)-based audits. In addition, where MMQ audits reveal that adjustments are necessary, recoupments are collected for claims submitted prior to the adjustment. As such, MassHealth believes its current process would have identified the majority of the identified overpayments in the ordinary course and therefore disagrees with how [OSA] has framed Finding 1. MassHealth does agree, however, that adjustments should be made more quickly and recoupments more frequently.*
>
> *MassHealth is in the process of procuring a Third Party Administrator (TPA) to provide administrative services over the Long Term Services and Supports system. Effective April of 2017, the TPA will enhance and speed the ability for MassHealth to identify and implement necessary adjustments and associated claims edits. . . .*
>
> *[Regarding Recommendation 1], MassHealth appreciates and agrees with [OSA's] recommendation, but disagrees with the characterization of the finding. MassHealth will research whether automating the adjustment of claims is feasible, but notes that MassHealth processes these recoupments approximately every two to three years, with its next recoupment slated for January 2017. As part of the January 2017 recoupment, MassHealth will be looking back a full 6 years to ensure that identified overpayments are collected. In its ongoing efforts to enhance program integrity, MassHealth has identified that MMQ audits and associated recoupments should be streamlined into as close to a seamless process as is possible. MassHealth is presently procuring a Third Party Administrator (TPA) who will be responsible for conducting the MMQ Audits. The TPA will assist MassHealth in modernizing the mechanisms by which claims are processed and adjustments made in order to improve the timeliness with which recoupments are made. While MassHealth expects the TPA to begin its work in the Spring of 2017, MassHealth is currently working with its existing MMIS team to expedite the resolution of this matter.*
>
> *[Regarding Recommendation 2], MassHealth processes these recoupments approximately every two to three years, with its next recoupment slated for January 2017. As part of the January 2017 recoupment, MassHealth will be looking back an additional 4 years to ensure that identified overpayments are collected.*

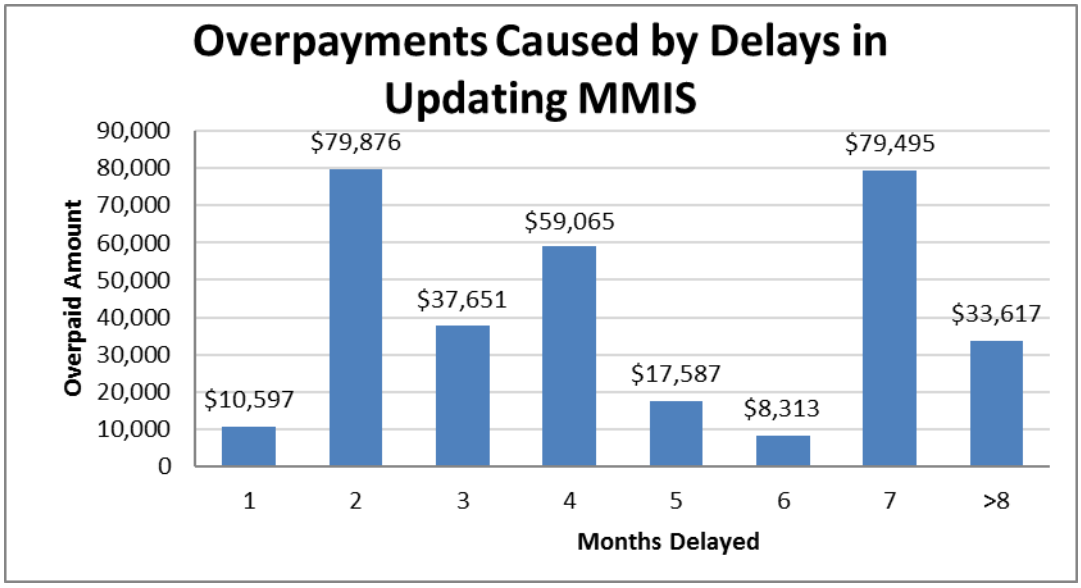
Auditor's Reply

We disagree with MassHealth and contend that our audit finding properly characterizes the problems we found with the process MassHealth uses to identify and collect overpayments made to nursing facilities. In its response, MassHealth states that its current recoupment process would have identified the majority of the overpayments we identified, but it does say that its recoupment process should be more timely. In addition, the fact that MassHealth is now looking back six years to identify improperly paid claims seems to indicate that it has significant concerns over its overpayment identification and recoupment process. A well-developed recovery system should ensure that recoveries are made promptly (i.e., within 30 days). By delaying the recoupment of these funds, MassHealth increases the risk of the overpayments being lost (for instance, if a nursing facility becomes financially unable to make a repayment or goes out of business) and does not promptly recover funds that could be used for other programmatic purposes. Based on its response, we believe MassHealth is taking measures to improve the timeliness of recoupments and the recovery of overpayments.

2. MassHealth did not ensure that records of members' care levels were updated promptly; this caused $326,201 of overpayments.

After MMQ audits, MassHealth did not ensure that its Medicaid Management Information System (MMIS) was promptly updated to reflect the appropriate levels of care for members in nursing facilities. As a result, MassHealth overpaid $326,201 on 476 claims from the total population of all claims paid to nursing facilities for overstated member levels of care during our audit period.

As illustrated below, it took MassHealth more than eight months in some cases to update members' level-of-care information after MMQ audits where it was determined that their levels of care should be reduced.



Authoritative Guidance

According to 130 CMR 456.420, MassHealth pays nursing facilities daily rates based on members' levels of care as of the dates of service. To avoid overpayments under this regulation, MassHealth must ensure that MMIS accurately reflects the latest MMQ audit results.

Reasons for Noncompliance

MassHealth does not validate that Maximus, the contractor charged with maintaining current information from MMQ audits in MMIS, updates MMIS with the results of those audits in a timely manner.

Recommendations

1. MassHealth should develop policies and procedures to validate that it promptly updates members' levels of care in MMIS.
2. MassHealth should recover the $326,201 that we identified in overpayments to nursing facilities.

Auditee's Response

MassHealth provided the following response to our original draft report, which identified a total of $342,504 in overpayments. Our final calculation for the overpayment is $326,201.

> *As stated previously, MassHealth has an established process by which both MMIS is adjusted to accurately pay claims prospectively after the MMQ audit process is complete and to undertake recoupment projects to collect any claims that were paid during any applicable period prior to the*

information being recorded in MMIS. Additionally, we anticipate that the procurement of the previously-mentioned TPA will enable MassHealth to more quickly update this information in MMIS. . . .

[Regarding Recommendation 1], MassHealth will be reviewing its existing policies and procedures to ensure that all action items are performed in a timely fashion.

[Regarding Recommendation 2], MassHealth processes these recoupments approximately every two to three years, with its next recoupment slated for January 2017. As part of the January 2017 recoupment, MassHealth will be looking back an additional 4 years to ensure that identified overpayments are collected.

Auditor's Reply

We do not dispute that MassHealth has a process by which MMIS is adjusted to accurately pay claims after the MMQ audit process is complete and to undertake recoupment projects to collect any claims that were paid during any applicable period before the information was recorded in MMIS. Our concern is that MassHealth's current process does not ensure that all adjustments to members' levels of care are made promptly by its contractor Maximus. As a result, the agency is unnecessarily making overpayments. In fact, it took MassHealth more than eight months to update some members' levels of care. Based on its response, we believe MassHealth is taking measures to address our concerns.

3. MassHealth did not update the specific claim information in MMIS for approximately $3 million of recoupments from nursing facilities.

MassHealth's PCU recovered $3,061,558 in nursing-facility overpayments during the audit period. Although MassHealth adjusted each nursing facility's accounts-receivable balance to reflect the gross amounts recovered, it did not allocate the gross amounts to the specific claim information for each service performed in MMIS. As a result, information fields for specific claims (i.e., amounts paid) are overstated for certain nursing-facility claims, and no accurate and transparent accounting of these recoveries at the specific claim level is available to those who need to review these claims.

Authoritative Guidance

According to MassHealth's Claims Operations Department's internal control plan, the Claims Operations Unit is responsible for maintaining accurate claim information in MMIS to ensure proper payments to providers.

Reason for Noncompliance

MassHealth has not developed policies and procedures to ensure that its PCU updates MMIS's specific claim information to properly reflect nursing-facility recoupments.

Recommendation

MassHealth should ensure that all recoupments are reflected in MMIS's specific claim information.

Auditee's Response

[Regarding the recommendation], while MassHealth does record and report recoupments done on the MMQ audit, we agree with [OSA] that the optimal practice would include updating member claim level detail with recoupments. As such, MassHealth is currently working on an MMIS change that will allow such claim level adjustments.

4. MassHealth granted MMIS access privileges to staff members without proper documentation.

MassHealth granted employees certain access privileges in MMIS without using the required Executive Office of Health and Human Services (EOHHS) Security Request Form. Without assurance that employees' system access privileges in MMIS are properly authorized and documented, there is a higher-than-acceptable risk of unauthorized personnel gaining access to sensitive data that they can alter and/or misuse.

We tested five MassHealth employees and MassHealth contractors who had system access allowing them to update nursing-facility rates and members' level-of-care information in MMIS. In four cases, there were emails discussing the access, but MassHealth did not have the completed EOHHS Security Request Form on file. In the fifth case, the required form was incomplete because it did not include the required authorizing signature.

Authoritative Guidance

According to the EOHHS MMIS system security plan, MassHealth is required to provide and maintain adequate identification and authentication mechanisms to protect EOHHS resources and data. EOHHS has created a Security Request Form for managers to complete and sign when requesting employee access to MMIS. By submitting the form, managers approve specific access privileges for each staff member—specifically, what information s/he can access in MMIS and whether or not s/he can change that information.

Reasons for Noncompliance

MassHealth has policies and procedures for staff access privileges in MMIS, but it could not explain why it did not enforce them or why it granted requests for access based on email correspondence instead of the required EOHHS Security Request Form.

Recommendation

MassHealth should formally document all manager access-privilege requests on properly approved EOHHS Security Request Forms.

Auditee's Response

Generally, the staff that [OSA] identified were longstanding MassHealth employees whose MMIS access had predated the implementation of the EOHHS Security Request Form; MassHealth has already taken appropriate action to correct this matter. . . .

[Regarding the recommendation], MassHealth agrees with [OSA] and has identified opportunities in its general off-boarding process for user accounts in MMIS that are presently being implemented. EOHHS and the MMIS team have reviewed the user accounts cited in the audit finding. Accounts where access was deemed "inappropriate" or "unnecessary" have been terminated. For the remaining accounts, the missing Security Change Requests have been appropriately submitted. In furtherance of generally addressing this finding, a full account/access review is in progress, which began in September 2016. EOHHS currently expects to conduct a formal account/access review twice per year in September and March. In support of access control review and procedural improvement, EOHHS has hired an Agency Security Officer for MassHealth, effective August 2016. The MassHealth Security Officer is engaged in detailing the user account management process, reviewing the way access is requested, tracking and performing account changes as necessary, and terminating users appropriately. The efforts of the MassHealth Agency Security Officer are designed to ensure that EOHHS maintains strong controls throughout the system access lifecycle.