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INSPECTOR GENERAL

The Commonwealth of Massachusetts

Office of the Inspector General

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October 30, 2013

The Honorable Stephen M. Brewer, Chair
Senate Committee on Ways and Means
State House, Room 212
Boston, MA 02133

The Honorable Brian S. Dempsey, Chair
House Committee on Ways and Means
State House, Room 237
Boston, MA 02133

John W. Polanowicz
Secretary of Health and Human Services
Executive Office of Health and Human Services
One Ashburton Place, 11th Floor
Boston, MA 02108

Re: MassHealth Preliminary Report

Dear Chairman Brewer, Chairman Dempsey, and Secretary Polanowicz:

In July 2013, the Legislature enacted Chapter 38 of the Acts of 2013. Section 160 of that law directed the Office of the Inspector General ("Office") to study and review the Massachusetts Medicaid program:

Notwithstanding any general or special law to the contrary, in hospital fiscal year 2014, the office of the inspector general may continue to expend funds from the Health Safety Net Trust Fund, established in section 66 of chapter 118E of the General Laws: (1) to conduct a study and review of the MassHealth program; provided that the study shall include, but not be limited to, a review of the program's eligibility requirements, utilization, claims administration and compliance with federal mandates; provided further that the inspector general shall report any preliminary findings to the secretary of health and human services

and the house and senate committees on ways and means on or before October 30, 2013 and issue a final report on or before March 1, 2014

Pursuant to this mandate, the Office is conducting two studies of the MassHealth program. First, the Office is reviewing the administration of the Massachusetts Medicaid program (“Medicaid”) by MassHealth, the state entity that runs the program. The Office’s broad goal with this review is to understand how well MassHealth is paying and denying claims using its current claims-adjudication system. This issue is important to the financial well-being of Medicaid because paying claims that MassHealth should not pay places an additional fiscal burden on a system that is already strained. And not paying claims that MassHealth should pay places a burden on MassHealth members who are in need of medical treatment. This review will also create an important benchmark against which MassHealth’s new claims-adjudication system might be compared in future years.

To conduct this review, the Office is analyzing a sample of Medicaid claims for 2012 that health care providers submitted to MassHealth for reimbursement. The claims include hospital inpatient claims, hospital outpatient claims, and physician and community health center claims for professional care. The Office intends to conduct a claims adjudication of the sample claims, by matching claims (“837s”) and their corresponding remittances (“835s”), in addition to examining denied claims. The Office anticipates that there may be payment errors resulting from medical review, data processing, and eligibility errors.

The second review that the Office is undertaking involves following up on its *Report Pursuant to Section 182 of Chapter 139 of the Acts of 2012: Assessing MassHealth’s Identification and Recovery of Noncustodial Parents’ Health Insurance*, which the Office issued on March 1, 2013. In that report, the Office recommended that MassHealth consider a number of programmatic modifications, including: simplifying language on the Medical Benefit Request form (“MBR”); requiring Medicaid applicants to complete all of the questions on the MBR related to noncustodial parents’ health insurance; expanding MassHealth’s efforts to use information obtained from the MBR to identify noncustodial parents’ health insurance and other third-party insurers whenever appropriate; and sending information to the Department of Revenue/Child Support Enforcement division (“DOR/CSE”) to determine whether court

involvement might result in the use of noncustodial parents' private insurance rather than Medicaid. The Office's report also noted that in March 2011, MassHealth began sending out a form ("AP-1") to MassHealth applicants who did not fully complete the MBR in an attempt to obtain additional information regarding noncustodial parents.

In its follow-up report, the Office will study a sample of MassHealth members to examine the fiscal impact of using Medicaid to pay for a child's health care when there is a court order in place requiring a noncustodial parent to provide private health insurance. The Office will also compare the amount of information that MassHealth collected about noncustodial parents pre- and post-March 2011 to evaluate whether the AP-1 form contains additional information regarding noncustodial parents and their health insurance. Finally, the Office will present an analysis of MassHealth's and DOR/CSE's responses to the Office's March 2013 report. Specifically, this analysis will include the following findings:

1. MassHealth adopted many of the Office's suggested changes to the MBR form – changes designed to make it more likely that MassHealth applicants provide useful information about noncustodial parents.
2. MassHealth partnered with DOR/CSE on a pilot project that studied a sample of noncustodial parents associated with MassHealth members to discern when it is cost effective to obtain and enforce court orders requiring noncustodial parents to provide health insurance for their children.

The Office anticipates completing one or both of its reviews of the Massachusetts Medicaid program by March 1, 2014, and will submit a final report and recommendations at that time.

Sincerely,



Glenn A. Cunha
Inspector General