

Report to the Health and Human Services Interim Committee

Implementation of Recommendations from the December 2010 Performance Audit of Utah Medicaid Provider Cost Control

Prepared by the Utah Department of Health
And the Office of Inspector General of Medicaid Services

October 19, 2011

EXECUTIVE SUMMARY

This report is submitted in response to the following statutory language contained in House Bill 77, which was passed by the Legislature in the 2011 General Session:

At the October 2011 interim meeting of the Health and Human Services Interim Committee, the division shall report on the measures taken by the division to correct the problems identified in, and to implement the recommendations made in, the December 2010 Performance Audit of Utah Medicaid Provider Cost Control published by the Office of Legislative Auditor General.

In the following sections, we describe the actions taken by the Utah Department of Health (Department) and the Office of Inspector General for Medicaid Services (OIG) to implement the recommendations from the audit report.

[Please note, there were no recommendations from Chapter I of the audit.]

Chapter II

After the auditors identified problems with billing, the Department engaged in a significant training effort of its medical clinics staff. This training included doctors and others that volunteered at the clinics as well as paid staff. As a result of this training, the clinics are better documenting the care they provide and ensuring that coding of those services is done correctly.

Finding 1 Update – OIG submitted its annual report to the Social Services Appropriations Subcommittee on September 30, 2011.

Finding 2 Update – The Office of Internal Audits and Program Integrity conducted six trainings on fraud in May 2011.

Chapter III

Finding 1 Update – The Department has developed a report that records all of its FY 2011 Medicaid overpayments, recoveries, and collections and has sent that report to OIG. Beginning December 2011, the Department will submit a quarterly report to OIG that shows overpayments, recoveries, and collections from the previous quarter.

Finding 2 Update – The Department will continue to use a vendor to obtain regular pharmacy pricing updates. In addition, in June 2011, the Department began quarterly pricing surveys of Utah pharmacies and has used that information to determine the appropriateness of Medicaid maximum allowable costs for drugs. The Department is also preparing a Request for Proposals to find out what it would cost for a vendor to provide some of the services outlined in House Bill 77 for the Medicaid pharmacy program. The Department will confer with OIG about the costs and benefits of awarding a contract to a vendor for these services.

Finding 3 Update – In July 2011, the Department submitted an 1115 waiver to establish accountable care organizations in Utah. As part of that waiver, the Department proposed to add

pharmacy to the benefit package being offered to Medicaid clients through managed care. If this waiver is approved by the federal government, then the Medicaid pharmacy benefit in Weber, Davis, Salt Lake and Utah counties will be provided through managed care plans and their pharmacy benefit managers. The success of this effort in these counties will help the Department determine if it is effective to contract with an outside company for the pharmacy services in the rest of the state.

Finding 4 Update – OIG has taken steps to increase the audit presence and perform additional Medicaid audits. A current contract with HMS is already in place to review Medicaid spending from previous years. In addition, OIG has issued a Request for Proposals to add a Recovery Audit Contract (RAC) as required by the federal government. OIG is also actively recruiting for additional auditors.

Finding 5 Update – In January 2011, the Department implemented the auditors' recommendation to change the Medicaid dental policy. The system has been reprogrammed to only pay two cleanings per year.

Chapter IV

Finding 1 Update – OIG is in the process of establishing an Audit Manual that will formally define its guiding standards, which will comply with the Government Auditing Standards (the Yellow Book).

Finding 2 Update – OIG became a distinct unit on July 1, 2011 and reports to the Governor's Office of Planning and Budget.

Summary

The Department and OIG appreciate the opportunity to report on the actions they are taking to address the findings from the December 2010 audit report. Many of the issues raised in the audit will now become the responsibility of the new OIG and will require coordination and cooperation with the Department. Our two agencies are committed to following through on these efforts and look forward to close interaction over the years to come.

Introduction

At the time the Office of the Legislative Auditor General issued its December 2010 report, the Office of Internal Audits and Program Integrity (OIA-PI) was still part of the Utah Department of Health (Department). The audit report often directs recommendations generally to the Department even when the issue being discussed was one under the responsibility of OIA-PI. In addition, in House Bill 84 (2011 General Session), OIA-PI was moved out of the Department and was located in the Governor's Office of Planning and Budget as the Office of Inspector General of Medicaid Services (OIG). Therefore, the new Inspector General for OIG has responded to the audit findings that were directed to areas originally under the responsibility of OIA-PI.

[Please note, there were no recommendations from Chapter I of the audit.]

Chapter II Findings

The following sections outline the steps taken by the Department and OIG to address audit issues and findings identified in this chapter of the auditors' report.

Health Clinics of Utah

The Department believes its clinics should operate as a model of correct billing practices. In light of the audit performed by the Office of the Legislative Auditor General and our desire to comply fully with any and all Medicaid policies and recommendations, we have initiated the following actions to insure that our clinics operate as that model.

Management of the clinics has initiated the following actions to correct the billing problems identified by the auditors:

- Immediate consultation with the Director of OIA-PI to obtain suggestions for areas for improvement and for review our corrective action plan.
- Immediate consultation (face to face) with the medical providers in the Salt Lake, Ogden and Provo clinics informing them of the findings.
- Completion of an in-house review of chart notes billed with high evaluation and management codes to further understand the scope of the up coding.
- We provided billing and coding training for all Health Clinics of Utah providers, managers, billers and medical assistants. The first training occurred on December 1, 2010, and was done in conjunction with OIA-PI staff and clinic management. Ongoing training will be updated and presented every six months.

- We are holding monthly staff meetings in each of the three medical clinics dedicated to provider training re: billing, coding, charting, etc.
- Our claims editing staff (which includes two certified professional coders) review all progress notes and superbills generated in the clinics on a daily basis. Upon review, notes and superbills will be corrected or returned to the providers and others for correction. Claims are then submitted to our new centralized billing office where they are once again reviewed, then processed.

Any corrections, concerns, or questions are documented in the "Weekly Audit Report" and presented to the providers at the end of every week.

We are working with our Electronic Medical Record software vendor (CaduRx) to continually identify, document, and prioritize desired changes and additions to CaduRx which will help with the issues identified by the audit.

- We have a strong renewed working relationship with OIG to ensure compliance, to provide a regular review of our records and to assist with training and education.
- Under the direction of OIG, we recently completed a comprehensive review of 2008, 2009, and 2010 charts and drafted accompanying report to identify past up coding.
- We have terminated two medical providers who were reticent to change.
- We have informed the Office of the Legislative Auditor General of our changes and have invited them to come in for a follow-up review of our records.

In addition, the Department determined that the Salt Lake clinic would benefit from having a strong Board Certified Primary Care Provider as Medical Director. Because no new funding was available for this position, the Department asked Dr. Marc Babitz, Division Director, to assume the additional responsibility of Medical Director. As Medical Director and in addition to seeing patients in the clinic, Dr. Babitz has helped educate providers regarding billing, coding, documentation and quality improvement. Dr. Babitz is respected in the medical community; he is on the DOPL licensing Board and is now the direct medical supervisor for the medical providers in the Salt Lake clinic.

The Department has taken a proactive approach with its dental clinics as well. The following is a summary of an internal review of dental patient clinical notes and billing records:

The Family Dental Plan's (Plan) Dental Director and two other dentists have increased efforts to improve the internal review of dental patient clinical notes and billing records. These doctors have set aside specific administrative time to perform random reviews of patient records for adequate documentation by the providers. Particular review scrutiny is placed on the patient records documentation for the Initial and Recall Examinations, the Problem Focused (urgent need) Limited Oral Evaluation, and more complicated

Restorative, Endodontic, and Oral Surgery procedures, with emphasis on staff doctors making corrections on the patient record whenever appropriate. Monthly, the Plan's billing manager randomly selects patient records with particular procedure codes and presents these for review of adequate billing documentation. When documentation is deemed insufficient a refund request is issued and the procedure is re-billed.

Based on review findings, the Plan's Dental Director will present Audit Review Summary and Training Presentations at staff meetings for all Plan clinics

Members of OIA-PI have attended provider meetings to discuss areas of emphasis for dental patient charts. OIA has conducted patient record reviews for Wasatch Front clinics with no negative results reported.

Reporting Fraud Recoveries

OIG submitted its annual report to the Social Services Appropriations Subcommittee on September 30, 2011. Please see this report for additional information regarding numbers and estimates contained in the report and for an audit of the OIG's books and records by the State Auditors that is already underway. Total recoveries, inclusive of any identified fraud or up-coding, were \$10.1 million dollars.

Fraud Training

The Office of Program Integrity within OIA-PI (as of July 1, 2011, part of OIG) conducted six training sessions in May of 2011. In an effort to reduce fraud, waste, and abuse, these sessions educated providers about commonly seen issues and problems. The OIG is planning to schedule and offer future trainings as well. OIG has a contractor, HMS, who has also been offering provider outreach training on common provider issues and recovery audit contracting.

Chapter III Issues

The following sections outline the steps taken by the Department and OIG to address audit issues and findings identified in this chapter of the auditors' report.

Department Reporting of Recoveries

As discussed in the Chapter II section, OIG has a responsibility to record and report its recoveries as well as those of the Department. The Department has a responsibility to track overpayments, collections, and recoveries. The Department needs to report those amounts to OIG. The Department has provided OIG with a report on Medicaid collections for FY 2011.

The report identifies \$39.9 million in recoveries for FY 2011. The top categories for recoveries were:

- Health claim payments from a liable third party (\$13.9 million)
- Medicaid Fraud Control Unit/Program Integrity provider fraud recoveries (\$8.1 million)
- Spend down money collected by the Department of Workforce Services and submitted to the Office of Recovery Services for accounting (\$7.8 million)
- Medicaid personal injury payments from a liable third party (\$4.6 million)
- Medicaid estate recovery payments from an estate of a deceased Medicaid recipient (\$1.3 million)

In addition, the Department will begin submitting quarterly reports to OIG on these recoveries. The Department will submit the first quarterly report in December 2011, which will cover recoveries made from July to September 2011.

Analysis of Pharmacy MAC

In the 2011 General Session of the Utah State Legislature, House Bill 77 was passed which, in part, requires the Department to (lines 108-116):

(e) keep Medicaid pharmaceutical costs as low as possible by actively seeking to obtain pharmaceuticals at the lowest price possible, including, on a quarterly basis for the pharmaceuticals that represent the highest 45% of state Medicaid expenditures for pharmaceuticals and on an annual basis for the remaining pharmaceuticals:

(i) tracking changes in the price of pharmaceuticals;

(ii) checking the availability and price of generic drugs;

(iii) reviewing and updating the state's maximum allowable cost list; and

(iv) comparing pharmaceutical costs of the state Medicaid program to available pharmacy price lists;

The Department receives bi-weekly updates on pricing and the availability and price of generic drugs from its contracted vendor. This contract has been in place for many years.

Additionally, the Department has sought pricing information through quarterly surveys of pharmacies in the state. This information was compared to the Medicaid prices and, as appropriate, Medicaid pricing has been updated.

The Department is also preparing a Request for Proposal for a vendor to take over the responsibilities listed in (iii) and (iv) above. The Department will confer with OIG about the costs and benefits of awarding a contract to a vendor for these services.

Independent Pharmacy Manager

The auditors recommended that the Department consider contracting with a firm to manage prescriptions costs. The current Medicaid managed care contracts generally include only inpatient hospital, outpatient hospital, physician services and other ancillary services. Pharmacy is excluded from these contracts.

In July 2011, the Department submitted an 1115 waiver to the Centers for Medicaid and Medicaid Services (CMS). The waiver would create Accountable Care Organizations (ACOs) with the goal of changing reimbursement from one that pays fee for service to one that pays for episodes of care.

As part of this reform, the waiver looks to include non-behavioral health pharmacy benefits in the ACO benefit package. The Department believes that including these pharmacy benefits in the ACO scope of services will better align the incentives of prescribers with the goals of the State.

Continuous Medicaid Audits

OIG has taken several steps to increase the audit presence and perform additional Medicaid audits.

A Recovery Audit Contract (RAC) is required by the federal government and is currently in the RFP process. This contract must be in place prior to January 12, 2012.

A contract with HMS that is very similar to a RAC is already in place and identifying dollars for recovery. The current contract grants HMS the right to review Medicaid spending for portions of 2008 and all of 2009 and then keep a portion of dollars recovered. This is commonly referred to as a contingency contract.

OIG has also reorganized its staffing and added auditor positions to the organizational chart. Although these positions have not yet been filled, OIG is actively recruiting and has interviewed a number of candidates in the past several weeks.

These steps, taken together, significantly strengthen the audit frequency and depth of audits being performed on Medicaid payments.

Dental Cleanings

At the time of the audit, Medicaid dental policy for teeth cleaning limited a Medicaid client who qualified for dental care to have their teeth cleaned twice at a single provider. However, the policy did not limit the number of providers that a client could see. The auditors recommended that the policy be changed to limit the number of cleanings to two regardless of where they were provided. In January 2011, the Department implemented this change.

Chapter IV Issues

In the 2011 General Session, House Bill 84 moved OIA-PI from the Department and created OIG. The following sections contain comments from the new Inspector General of OIG on the impact of those changes and how they relate to the findings identified in this chapter of the auditors' report.

Independence Standards for Program Integrity

On July 1, 2011, OIG became a distinct unit that reports through the Governor's Office. The OIG is in the process of establishing an Audit Manual that will formally define its guiding standards, which will comply with the Government Auditing Standards (the Yellow Book).

Creation of the Office of Inspector General

OIG was created through House Bill 84, now implemented as Utah Code *63J-4a-202*. OIG became a distinct unit on July 1, 2011 and issued its first report to the Social Services Appropriations Subcommittee on September 30, 2011.