

# Report to the Health and Human Services Interim Committee

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## Implementation of Improved Provider Payment Controls

Prepared by the Division of Medicaid and Health Financing

August 31, 2012



## Background

This report is submitted in response to the following language passed in HB 77 by the 2011 Legislature:

(3) Beginning in 2012, the division shall annually, before September 1, report to and provide the Health and Human Services Interim Committee with information, including statistical information, for the preceding fiscal year, regarding:

(a) incidents of improperly used or paid Medicaid funds and medical or hospital assistance funds;  
(b) division efforts to obtain repayment from providers of the funds described in Subsection (3)(a);  
(c) all repayments made of funds described in Subsection (3)(a), including the total amount recovered;  
and

(d) the division's compliance with the recommendations made in the December 2010 Performance Audit of Utah Medicaid Provider Cost Control published by the Office of Legislative Auditor General.

## **Follow Up on Medicaid Provider Cost Control Audit**

The Legislative Auditor General issued Report #2010-16, *A Performance Audit of Utah Medicaid Provider Cost Control* in December 2010. There were nine recommendations in the audit, five specific to the Department of Health, Division of Medicaid and Health Financing (Department). As of the date of this response all five have been implemented.

The Legislative Auditor General issued a follow-up report in January 2012 on the original audit. That report is #2012-03, *An In-Depth Follow-Up of Utah Medicaid's Implementation of Audit Recommendations*. The report concluded that four of the five recommendations had been implemented. The Department implemented the fifth and final recommendation in June 2012.

The final recommendation to be implemented was the following:

*Recommendation: We recommend that Utah Medicaid, in conjunction with the Office of Internal Audit and Program Integrity (OIAPI), review the cost and benefits of contracting with a firm to manage prescriptions costs.*

The Department entered into a contract with Goold Health Systems (GHS) in late 2010 to replace and manage a prescription point-of-sale (POS) system. In 2011, the Department determined it would be cost effective to use the contract with GHS to provide prescription cost data. As per the contract, GHS manages the following processes:

- Oversight of pricing and policy implementation
- Management of Maximum Allowable Cost (MAC) pricing (Fully implemented in April 2012)
- Processing and collection of manufacturer rebates
- Systemic updates of the processing system in order to maximize economies of scale and technology enhancements

Cost improvements associated with this agreement include:

- Better management of the Preferred Drug List (PDL).
- Continuous cost surveys in order to maximize MAC savings.

## **Identification of Improper Payments**

*Sleep Studies* – The Department continues to work with Department of Technology Services (DTS) programming staff to ensure that Medicaid Management Information System (MMIS) controls are properly set to avoid inappropriate overpayments to sleep study providers. The Office of Inspector General for Medicaid Services (OIG) estimates that this could save \$17,000 per year.

Status: The Department and DTS are working toward an implementation date of October 31, 2012 for the programming. Once the programming is complete, the Department will look to recover inappropriately paid amounts.

*Wheel Chairs* – There are circumstances in which wheel chair providers are not complying with a new Medicaid payment policy. The policy limits payments to a contracted 12-month period. Programming was not in place to support the new policy before it was put into effect. The estimated savings of the policy change is \$32,000 per year.

Status: Once the programming is put in place, the OIG program integrity unit will make the recoveries.

*Prenatal Care* – The OIG recommended that the Baby Your Baby program (BYB) monitor BYB expenditures to ensure compliance with BYB policy or change the policy specifying that funds only be spent on procedures relating to pregnancy and that providers be held accountable for their procedures.

Status: The previous program manager for BYB has retired. The Department is in the process of recruiting for this position. Once this position has been refilled, the Department will review federal policy related to presumptive eligibility for pregnant women and review which codes are appropriate to be paid by the BYB. If the DMHF decides to change policy, future claims may be affected. Recoveries made by a policy change would be prospective. Recoveries from inappropriate billings would be made by the OIG through its post-payment review process. The Department is not aware of any repayments made to the OIG this year for this issue.

*Outpatient Services* – The federal Department of Health and Human Services Office of the Inspector General (Federal OIG) determined in an audit report that during calendar years 2007 through 2009 the Department did not always claim costs for selected high-dollar outpatient service claims pursuant to Federal and State requirements. Of the 313 high-dollar outpatient service claims that the State agency

claimed for payments it made to providers during this period, 201 were allowable. For the remaining 112 high-dollar outpatient service claims, providers reported incorrect charges and could not provide documentation to support that some of the outpatient services were provided. This resulted in overpayments totaling \$373,932 (\$276,800 Federal share, \$97,132 State share).

Status: The Department worked with the Utah OIG to ensure that collection letters were sent to each of the providers identified in the audit that could not provide sufficient documentation to support the claims they had submitted. The Department also included in its annual provider training a reminder that providers needed to retain sufficient documentation to support their claims. The State share of the refund due from providers is \$97,132, as reported in the audit.