



MEDICAID COLLECTIONS, WHAT IS THE BANG FOR OUR BUCK?

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

Total return on investment for Medicaid collection agencies when comparing direct collections vs collection costs has ranged from \$3.83 to \$8.99 for the General Fund from FY 2014 through FY 2017 estimated. This brief is for informational purposes only and requires no Legislative action.

DISCUSSION AND ANALYSIS

Who Recovers Money for the State in Medicaid?

1. **Department of Human Services' Office of Recovery Services** – pursue third parties with financial responsibilities for a Medicaid client’s medical costs.
2. **Attorney General’s Medicaid Fraud Control Unit** – criminal prosecution of fraud, waste, and abuse in the Medicaid program.
3. **Recovery Audit Contractors** – contractors historically paid on a contingency fee basis to recoup overpayments to providers.
4. **Office of Inspector General** – recovery of overpayments to medical providers.

What is the Current Trend for Medicaid Collections

The two tables below show Medicaid collections vs costs to recoup those collections by entity from FY 2014 through FY 2017 estimated in (1) General Fund and (2) total funds. Total return on investment for Medicaid collection entities has ranged from \$3.83 to \$8.99 for the General Fund from FY 2014 through FY 2017 estimated.

General Fund	FY 2014		FY 2015		FY 2016		FY 2017 (est.)	
	Costs	Collections	Costs	Collections	Costs	Collections	Costs	Collections
Department of Human Services' Office of Recovery Services	\$ 1,412,700	\$ 5,174,500	\$ 1,386,400	\$ 5,599,300	\$ 1,407,500	\$ 5,104,600	\$ 1,407,500	\$ 4,400,000
Attorney General’s Medicaid Fraud Control Unit	\$ 386,200	\$ 18,698,200	\$ 388,100	\$ 5,430,700	\$ 426,800	\$ 8,743,500	\$ 431,300	\$ 5,400,000
Recovery Audit Contractors	\$ 255,700	\$ 2,557,200	\$ 206,600	\$ 2,065,900	\$ 101,800	\$ 1,017,800	unknown	unknown
Office of Inspector General	\$ 983,900	\$ 895,800	\$ 1,140,600	\$ 532,400	\$ 1,133,200	\$ 820,800	\$ 1,163,600	\$ 1,700,000
Total	\$ 3,038,500	\$ 27,325,700	\$ 3,121,700	\$ 13,628,300	\$ 3,069,300	\$ 15,686,700	\$ 3,002,400	\$ 11,500,000
Return on Investment (Collections/Costs)	\$ 8.99		\$ 4.37		\$ 5.11		\$ 3.83	

Total Fund	FY 2014		FY 2015		FY 2016		FY 2017 (est.)	
	Costs	Collections	Costs	Collections	Costs	Collections	Costs	Collections
Department of Human Services' Office of Recovery Services	\$ 2,825,400	\$ 17,339,500	\$ 2,772,700	\$ 18,983,800	\$ 2,814,900	\$ 17,198,700	\$ 2,814,900	\$ 14,700,000
Attorney General’s Medicaid Fraud Control Unit	\$ 1,544,800	\$ 18,698,200	\$ 1,552,600	\$ 5,430,700	\$ 1,707,300	\$ 8,743,500	\$ 1,725,000	\$ 5,400,000
Recovery Audit Contractors	\$ 856,900	\$ 8,569,000	\$ 700,400	\$ 7,004,100	\$ 342,900	\$ 3,429,200	unknown	unknown
Office of Inspector General	\$ 2,209,500	\$ 3,001,600	\$ 2,507,100	\$ 1,805,100	\$ 2,345,300	\$ 2,765,600	\$ 2,429,500	\$ 5,500,000
Total	\$ 7,436,600	\$ 47,608,300	\$ 7,532,800	\$ 33,223,700	\$ 7,210,400	\$ 32,137,000	\$ 6,969,400	\$ 25,600,000
Return on Investment (Collections/Costs)	\$ 6.40		\$ 4.41		\$ 4.46		\$ 3.67	

The information in the tables above is as reported by each entity. The only exception was a 38% reduction applied to Department of Human Services' Office of Recovery Services costs to remove the staff costs for third party liability. Third party liability results are not processed as recoveries but as offsets and not included in these totals.

Why Are Medicaid Collections Projected to go Down in FY 2017?

1. **Department of Human Services' Office of Recovery Services** – beginning in 2013 accountable care organizations have begun serving more Medicaid clients and being responsible for and keeping collections from other insurance billings.
2. **Attorney General's Medicaid Fraud Control Unit** – the following changes have impacted pharmacy litigation, which historically has represented a large portion of collections: (1) Medicare providing drugs previously paid for by Medicaid, (2) accountable care organizations taking over the payment of claims, and (3) pharmaceutical companies changing their tactics.
3. **Recovery Audit Contractors** – the Department of Health is currently in the process of selecting a new contractor via a request for proposal process. The new contract will be awarded based on a flat fee as opposed to a contingency fee, as required by [UCA 26-18-20\(2\)\(d\)](#). In prior years the Office of Inspector General was in operational control of the recovery audit contractors.
4. **Office of Inspector General (OIG):** “The larger provider billing problems that existed in the past have been identified and corrected through the work of the OIG. As new problems arise the OIG continues to identify and train providers on appropriate billing practices. Recovery amounts have gone down as a result. The OIG seeks now to identify cost avoidance, which is a more realistic performance indicator, as opposed to cash collected.”

Are Any Resources Freed Up With the Reduction in Collections?

1. **Department of Human Services' Office of Recovery Services** – Human Services: “If the workload for health claim and third party liability verification were to decrease, Tort could use 2 more workers to handle both the increase in referrals and improve their follow-up on existing cases. We would want to start with one additional worker in Estate Recovery, but if the trend holds out, add more over time.” The agency believes that the measures in the table below are a better indicator of its workload.

Department of Human Services' Office of Recovery Services	FY 2014	FY 2015	FY 2016
Health Claims Filed	65,821	67,769	64,761
Personal Injury Cases Opened	8,450	10,190	9,812
Estate Recovery (Probate) Cases Opened	2,074	2,752	3,077

2. **Attorney General's Medicaid Fraud Control Unit** – the unit's collections have ranged from a high of \$18.6 million in FY 2014 to a low of \$5.4 million in FY 2015 during the last three years. The unit believes that the higher collections were largely temporary events due to litigation against pharmaceutical companies by contracted law firms. The unit believes that the measures in the table below are a better indicator of its workload. The 26% reduction in referrals from FY 2015 to FY 2016 comes from Adult Protective Services. The unit believes this may have resulted from some conversations about which referrals the unit can investigate and prosecute. Adult Protective Services provides the majority of the unit's referrals. The unit requests that Adult Protective Services refer all allegations of abuse and neglect.

Fiscal Year	Referrals	Cases Opened for Investigation	Referrals from the Office of Inspector General
2014	1,886	47	4
2015	1,876	44	3
2016	1,381	48	9

3. **Office of Inspector General** – The agency believes that cost avoidance is a better indicator of its workload. For FY 2016 the office had cost avoidance of at least \$5.2 million.

Sources for Additional Information

- Medicaid Spending Statewide Issue Brief, 2016 Interim see <http://le.utah.gov/interim/2016/pdf/00002349.pdf>
- “Utah Annual Report of Medicaid & CHIP” see [https://medicaid.utah.gov/Documents/pdfs/annual%20reports/medicaid%20annual%20reports/MedicaidAnnualReport 2015.pdf](https://medicaid.utah.gov/Documents/pdfs/annual%20reports/medicaid%20annual%20reports/MedicaidAnnualReport%202015.pdf)
- ORS Six Year History of Medical Collections and Costs 2016 GS, see <http://le.utah.gov/interim/2015/pdf/00005926.pdf>. These figures include all money processed through ORS. All amounts not directly done by collection staff paid by Medicaid in ORS have been excluded from the tables in this brief.