



Provider Preventable Conditions Reporting, Accountable Care Organizations (Report A2020-02)

To: Social Services Appropriations Subcommittee
From: Julie Ewing, Medicaid Director
Date: June 1, 2026
Subject: Utah Office of the Inspector General Provider Preventable Conditions Reporting, Accountable Care Organizations (Report A2020-02)

Purpose

As required by intent language stated in SB002 from the 2025 General Legislative Session, the Department of Health and Human Services (DHHS) submits the following report in response to the Utah Office of the Inspector General (UOIG) audit, focused on the identification and reporting of Provider-Preventable Conditions (PPCs):

The Legislature intends that the Department of Health and Human Services report by June 1, 2026 to the Social Services Appropriations Subcommittee on the status of implementing edits to identify payment of provider preventable conditions in fee-for-service and managed care as per the recommendations by the Utah Office of the Inspector General in its audit entitled "Provider Preventable Conditions Reporting Accountable Care Organizations."

The subsequent findings detail Medicaid's responsibility to monitor clinical outcomes and enforce regulations that prohibit reimbursement when quality-of-care standards are not met.

Regulatory Mandate

Federal regulations strictly prohibit Medicaid reimbursement for PPCs. A PPC is defined as a healthcare-acquired condition that was not Present on Admission (POA).

All participating providers are legally obligated to identify and report any PPCs linked to Medicaid claims or courses of treatment. Consequently, any condition that does not meet the POA criteria is ineligible for state or federal Medicaid payment, even if the treatment would otherwise be covered under standard protocols.

UOIG Audit Findings, Medicaid Response and Status

UOIG Audit Finding #3: Utah Medicaid Managed Health Care does not have edits to track or follow up on reported PPCs, within encounter data submitted by the ACOs in the required annual report.

UOIG Recommendation: UOIG recommends development of edits that will identify payment of PPCs



involving encounter data reported by ACOs and recommend nonpayment.

Medicaid Response and Status: The UOIG PPC audit found that the ACOs do an excellent job at preventing payment for PPCs through systems editing and reporting. The single managed care PPC case that was found would not have been identified through encounter data and was discovered through the clinical record review conducted by the UOIG. Because of this, OMH and UOIG agreed that the most effective way to identify PPCs was for the UOIG to engage in future routine PPC audits of the ACOs in the same manner it conducted its original audit, rather than pursue systems edits. Additionally, Medicaid updated the PPC reporting template. The PPC report is submitted by the ACOs and identifies PPC claims so OMH has more information on the claims which the ACOs have denied as PPCs.

OIG Audit Observation 2: As a comparison of claims processed and paid, UOIG also examined FFS claims with or without POA indicators for the same period. UOIG determined through examination of medical records that Medicaid FFS paid claim lines with PPCs. UOIG developed a selection of four FFS inpatient adjudicated claims to examine for PPC as a comparison based on POA indicator codes not present from the data warehouse. POA indicator coding on the final set of diagnosis codes is a required indicator code for all inpatient admissions, but was not available on all Medicaid FFS inpatient claims analyzed. Two paid claims found contained PPCs from the selection of four FFS Claims. UOIG Program integrity will determine recovery of the overpayment.

UOIG Recommendation: UOIG recommends that Medicaid verify that edits are capturing FFS inpatient claims for POA indicators and not pay on unallowable claim lines.

Medicaid Response and Status: In response to the UOIG's findings regarding Medicaid Fee-For-Service (FFS) inpatient claims and the absence of Present on Admission (POA) indicators, we provide the following updates and verification of corrective actions:

1. Medicaid has already implemented the system edits necessary to capture FFS inpatient claims lacking the required POA indicators. This ensures that unallowable claim lines are identified and denied prior to payment, directly addressing the UOIG's recommendation to safeguard program integrity.
2. The omission of the POA indicator previously led to incorrect billing and the subsequent trigger of system edits. Our internal review indicates these issues generally occurred on Medicare Part B-only claims. We corrected these issues in our legacy system at the end of 2021 and this has never been an issue in the PRISM system which was implemented in April 2023.