Official Cabinet Agency Response to Performance Audit on Washington Medicaid Program Integrity – Examining the Health Care Authority's oversight of efforts at state agencies – June 28, 2021

The Health Care Authority and the Office of Financial Management provide this management response to the State Auditor's Office performance audit report received on June 7, 2021.

SAO Performance Audit Objectives:

The purpose of this performance audit was to answer the following questions:

- Are there opportunities for HCA executive management to improve its oversight over program integrity?
- How can the Division of Program Integrity improve its structure and processes to more effectively reduce fraud and other improper payments?

SAO Recommendations to the HCA 1-6: To improve executive oversight of the agency's program integrity efforts, as described on pages 15-24, we recommend HCA executives:

1. Provide consistent oversight of program integrity, either through the existing committee structure (for example, by assigning a regular focus on program integrity) or by establishing an operations oversight committee focused on overseeing all program integrity requirements within HCA and at other state agencies.
2. In consultation with Division managers, determine key objectives for Medicaid program integrity and include them in the agency's overall strategic plan.
3. Ensure the most critical measures related to the Division's success are included in the agency's performance measurement processes. Periodically review and update these measures, as necessary.
4. Provide the newly formed Division sufficient organizational support and executive oversight to ensure the Division has an approved strategic plan with clear objectives, Division performance measures are appropriate to monitor progress, and corrective actions are initiated quickly when objectives may not be met.

STATE RESPONSE: Oversight of the program integrity functions occurs regularly, as evidenced by the significant strategic and organizational changes that have been ongoing. We appreciate the recommendations to further strengthen oversight of the program integrity efforts at the executive level. Further discussion is needed with executive leadership and other divisions that would be impacted by these recommendations before committing to a specific plan of action. HCA will convene a work group to have those discussions and develop a recommended implementation plan to executive leadership.

Action Steps and Time Frame:

- HCA will form a work group to develop recommendations to executive leadership. *By December 31, 2021*

We also recommend Division managers:

5. Develop a strategic plan for the new Division with stated strategic goals, agreed upon objectives, and a system to monitor progress and hold responsible parties accountable.

6. As part of developing a solid strategic plan, develop a management information and reporting strategy with performance measures and management reports. As Division managers develop this strategy, we recommend they consider the performance measures recommended by experts and used in other states.

STATE RESPONSE: We agree with the recommendations and have begun implementing solutions. To ensure a clear path forward, these solutions will need to be informed and driven by the actions taken in response to recommendations 1-4.

Action Steps and Time Frame:

- HCA will have an approved strategic plan for program integrity. *By March 31, 2022*

SAO Recommendations to the HCA 7-9: To provide federally required oversight of Medicaid program integrity efforts at sister state agencies, as described on pages 25-30, we recommend Division managers:

7. Develop a Statewide Fraud and Abuse Prevention Plan. This plan should include:
    - A clear outline of all of the state's program integrity activities, including regular assessments of which functions are most at risk, as well as the roles and responsibilities of key partners and stakeholders
    - An updated cooperative agreement with DSHS that includes up-to-date service-level agreements, a clear monitoring plan and a schedule for regular reviews and updates of the agreements
    - An updated cooperative agreement and service-level agreements with DCYF, to include all federally required Medicaid program integrity activities, a clear monitoring plan and a schedule for regular reviews and updates of the agreements
    - A communications strategy to ensure management at HCA, DSHS and DCYF are all aware of federal requirements and updated memorandums and agreements. HCA internal policy should be revised to include reference to these requirements and documents.
8. Develop procedures to provide consistent oversight of program integrity efforts at sister state agencies. In developing these procedures, consider other state practices as outlined in Appendix E.
9. Clarify the role of the Regulatory Compliance Unit in overseeing program integrity at sister state agencies, and determine which unit will be assigned this responsibility.

STATE RESPONSE: HCA works closely with its sister agencies to help ensure program integrity functions are operating as required. We agree that the roles and responsibilities would benefit from being clarified, updated and documented. Some activities are already in process and others will be initiated to develop a statewide plan as described.

Action Steps and Time Frame:

- Working in partnership with sister agencies, HCA will develop a statewide fraud and abuse prevention plan as described. *By June 30, 2022*

SAO Recommendations to the HCA 10-11: To expand program integrity efforts for MCOs, as described on pages 31-36, we recommend Division managers:

10. Consider other states' practices for auditing providers contracted with the MCOs as they develop guidance that sets out what the Division wants to examine in managed care and the approach they want to take to audit providers contracted with the MCOs.
11. Clarify the Clinical Review Unit's responsibilities regarding audits of providers contracted with the MCOs.

STATE RESPONSE: HCA has developed audit strategies for managed care providers and considered other states' practices as part of that process. We are developing procedures for that audit activity, including the responsibilities of various units within program integrity.

Action Steps and Time Frame:

- HCA will develop and implement a documented process for auditing MCO providers.
  By December 31, 2021

SAO Recommendations to the HCA 12-19: To improve audit selection practices to help the Division prioritize resources for high risk cases and meet federal requirements, as described on pages 37-43, we recommend Division managers:

12. Conduct a program integrity risk assessment to identify the areas and provider types the Division will prioritize for each internal unit's workplan. It could also establish formal risk factors the case management team will use to evaluate leads, and incorporate these risk factors in the Division's case management policy and procedures.
13. Improve the use of data analytics to identify leads. Ensure the new fraud and abuse detection system is able to analyze managed care organization leads and rank areas at greatest risk for improper payments.
14. Ensure the new team reviewing leads consistently receives needed data to determine which leads merit further investigation.
15. Hire and train staff dedicated to performing proactive data analytics. We also recommend HCA consider reclassifying these positions to attract and retain the expertise needed.
16. Establish a process to determine which referrals from MCOs and DSHS are credible allegations of fraud.
17. Develop a process to analyze the leads and other information in reports provided by MCOs.
18. Finalize the necessary arrangements to collaborate with the Unified Program Integrity Contractor and determine how to best use the contractor's services.
19. Establish a communications strategy to ensure staff are aware of new expectations as part of implementing the recommendations listed above.

STATE RESPONSE: HCA agrees with the recommendations. Recommendations 12 and 13 will be best addressed with the implementation of a new Fraud and Abuse Detection System (FADS). Procurement of that system will be complete by the time this audit report is published.

Recommendation 14 has been in place for several months. Addressing recommendation 15, HCA has had highly skilled staff performing proactive data analytics for several years. A new FADS will help the efficiency and effectiveness of that work. We will consider the need and feasibility of a change in classification.

We are in the process of addressing recommendations 16-18. We have an ongoing communications plan (recommendation 19) that will continue.

Action Steps and Time Frame:

- Implement a new FADS. *By June 30, 2022*
- Assess the classification of data analysts. *By December 31, 2021*
- Develop processes around credible allegations of fraud for DSHS and MCO referrals. *By March 31, 2022*
- Develop processes to analyze leads provided by MCOs. *By March 31, 2022*
- Finalize arrangements with Unified Program Integrity Contractor. *By December 31, 2021*