

OFFICIAL RESPONSE TO THE PERFORMANCE AUDIT ON MEDICAID AND MANAGED CARE ORGANIZATIONS: ENSURING STRONG PROGRAM INTEGRITY EFFORTS AND ACCURATE ENCOUNTER DATA

OCTOBER 17, 2023

The Health Care Authority (HCA) and the Office of Financial Management (OFM) provide this management response to the State Auditor’s Office (SAO) performance audit report received on September 19, 2023.

SAO PERFORMANCE AUDIT OBJECTIVES

The SAO’s performance audit addressed two questions:

- Are there opportunities to improve MCO program integrity efforts and HCA’s related oversight?
 - How do HCA and the MCOs ensure accurate encounter data and MCO program integrity efforts are reported to the actuarial firm and reflected in future premiums paid to MCOs?
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Recommendations to HCA in brief:

SAO Recommendation 1: To address the need for better guidance regarding how MCOs ensure their encounter data is complete and accurate:

1. Provide written expectations in the MCO contracts for conducting retrospective internal audits that compare approved and rejected encounters to their underlying claims.

STATE RESPONSE: HCA concurs with the recommendation.

Action Steps and Time Frame

- HCA will determine an appropriate frequency for MCOs to conduct retrospective internal audits. *By February 1, 2024.*
 - HCA will add contract language that directs MCOs to conduct retrospective internal audits that compare approved and rejected encounters to their underlying claims. *By July 1, 2024.*
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SAO Recommendation 2: To address the need for stronger contractual provisions to ensure MCOs meet program integrity expectations:

2. Incorporate performance measures and objectives for MCO program integrity efforts, such as the new Centers for Medicare and Medicaid Services (CMS) performance measures, into the MCO contracts.

STATE RESPONSE: HCA concurs with the recommendation and is one of only two states that have applied performance measures that implement a minimum standard for MCO improper payment recoveries.

Action Steps and Time Frame

- Section 12.10.5 was added to the MCO contract, effective July 1, 2023, that implements minimum standards for improper payment recoveries. *Completed July 1, 2023.*
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SAO Recommendation 3: To address the opportunity for clearer contractual expectations related to MCO program integrity efforts:

3. Set a minimum standard for conducting program integrity data analytics in the MCO contracts.

STATE RESPONSE: HCA agrees that program integrity data analytics are important and partially concurs with the recommendation. HCA's requirements for the conduct of program integrity activities, including the use of data analytics, are included in Section 12 of the contract. The required activities and deliverables support HCA's expected outcomes for MCO program integrity efforts.

Action Steps and Time Frame

- HCA will re-evaluate the contract language to determine if changes to the current contract are needed. *By June 1, 2024.*
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SAO Recommendation 4: To address the lack of verification of MCO reported overpayments:

4. Develop a process to verify the completeness and accuracy of MCOs' reported information.

STATE RESPONSE: HCA agrees that MCOs should report accurate and complete information and partially concurs with the recommendation. HCA currently validates the completeness and accuracy of the MCOs' reported information through the audit and validation of encounter data. HCA meets with MCOs monthly to discuss aberrancies and current schemes, and to provide technical assistance when necessary.

HCA has documented processes for the audit, review, and validation of data submitted on MCO deliverables. Procedures 420.011 and 420.011a, dated June 15, 2021, provide detail and a visual workflow of the deliverable review and audit processes.

Action Steps and Time Frame

- HCA will review and update existing process documents to ensure an adequate verification process remains in place. *By September 30, 2024.*
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SAO Recommendation 5: To address the lack of targeted error rates for key fields in encounter data submissions and to encourage MCOs to submit accurate and complete encounter data with initial submissions:

5. Establish unacceptable error rates for key fields involved in encounter data submissions and then monitor and report on MCO submissions compared to the established targets. This would be in addition to the existing Form D reconciliation requirements.

STATE RESPONSE: HCA agrees that validating encounter data in multiple ways is an important step in the validation process and partially concurs with the recommendation.

Action Steps and Time Frame

- HCA will review and analyze this recommendation to determine if adding this additional process to the multiple ways it currently validates data will result in associated costs in terms of system and/or software updates or purchases, and the need to add additional FTEs to support the recommendation. *By September 30, 2024.*
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SAO Recommendations 6-7: To address issues with the quarterly reconciliation:

6. Develop a process to verify MCOs' reported general ledger amounts at the time of the reconciliation.
7. Include a reconciliation of counts of encounters, in addition to amounts, to ensure that all encounters are submitted and received.

STATE RESPONSE: HCA agrees that even greater assurance over the reconciliation processes is optimal and partially concurs with the recommendation.

Action Steps and Time Frame

- Related to verifying general ledger amounts at the time of reconciliation, HCA will determine if the current system, software, and staff are able to support this recommendation or if additional staff with accounting knowledge and/or an upgrade or purchase of a new system and software would be required. *By October 31, 2024.*
 - Related to the reconciliation of encounter counts, HCA will determine if the data lag would cause undue hardship on both the MCO and HCA to reconcile counts. Due to the nature of the data, HCA will need to assess whether there is a cost associated to help automate this process through current systems. *By October 31, 2024.*
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SAO Recommendation 8: To address the lack of documented policy for applying financial penalties:

8. Formalize the process for applying financial penalties in a policy or procedure.

STATE RESPONSE: HCA concurs with the recommendation.

Action Steps and Time Frame

- HCA currently has a workgroup established to develop written guidance to address financial penalties for MCOs that do not meet contractual obligations. *By July 1, 2025.*
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