

Audit Report

# Medicaid and CHIP MCO Special Investigative Units

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**Molina Healthcare of Texas**



**Inspector  
General**

Texas Health  
and Human Services

**May 22, 2020  
OIG Report No. AUD-20-011**

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## HHS OIG

TEXAS HEALTH AND HUMAN  
SERVICES  
OFFICE OF  
INSPECTOR GENERAL

May 22, 2020

Audit Report

# AUDIT OF MEDICAID AND CHIP MCO SPECIAL INVESTIGATIVE UNITS

*Molina Healthcare of Texas*

## WHY THE OIG CONDUCTED THIS AUDIT

HHSC and Molina share accountability for ensuring that state and federal dollars are used to deliver cost-effective health care services to eligible Medicaid enrollees. HHSC is responsible for oversight of Molina, while the Office of Inspector General (OIG) receives SIU annual plans and evaluates and sometimes investigates SIU referrals. In 2018, Molina received \$2.1 billion to administer Texas managed care programs for an average of 217,068 members per month.

The audit objective was to evaluate the effectiveness of Molina's SIU at (a) preventing, detecting, and investigating fraud, waste, and abuse and (b) reporting reliable information on SIU activities, results, and recoveries.

## WHAT THE OIG RECOMMENDS

Molina should:

- Include required topics in its online member content and fraud, waste, and abuse plan.
- Conduct preliminary investigations timely to include researching all parties involved in a potential fraud, waste, and abuse case or documenting justification for not performing additional research.
- Report referrals timely.

## MANAGEMENT RESPONSE

Molina indicated agreement with the audit results and stated that actions plans to address audit issues either have already been implemented or will be implemented by June 2020. The Molina management responses and full response letter are included in the report.

For more information, contact:  
[OIG.AuditReports@hhsc.state.tx.us](mailto:OIG.AuditReports@hhsc.state.tx.us)

## WHAT THE OIG FOUND

Molina had a fraud, waste, and abuse plan in place that was supplemented by written policies and procedures, as well as internal and external resources dedicated to its special investigative unit (SIU) function. In addition, Molina maintained a fraud, waste, and abuse hotline, submitted the monthly report of open cases timely, conducted recipient verifications, and accurately reported SIU recovery amounts to HHSC. Overall, Molina complied with training requirements.

Molina should strengthen its processes related to referrals and preliminary investigations to comply with Texas Administrative Code (TAC) and Molina's fraud, waste, and abuse plan. Specifically:

- Molina's fraud, waste, and abuse plan states the member website will contain information to help members identify, prevent, and report fraud and abuse. However, the member website did not contain required information on the False Claims Act or tips for preventing fraud and abuse, which may reduce the likelihood that Molina members will identify and report fraud and abuse. In addition, the section of Molina's fraud, waste, and abuse plan related to the education of members did not include waste as a topic, as required by TAC.
- In 13 of the 15 preliminary investigations related to personal care attendant services reviewed, Molina only conducted background research on the individual personal care attendants and not the agencies that employed the attendants. Expanding the research to include the agencies may help determine if there is a pattern of inappropriate behavior by the agencies.
- In 6 of 25 cases reviewed, Molina did not conduct preliminary investigations within 15 working days of opening the case, as required by TAC. Timely preliminary investigations help SIUs detect and investigate potential fraud, waste, and abuse; report to HHSC appropriately; and recover Medicaid funds.
- Of the 28 cases referred to OIG selected for testing, Molina did not report 6 to OIG within 30 working days of receiving reports of possible acts of fraud, waste, or abuse, as required by TAC. Additionally, of the 10 investigations from the sample that went beyond the preliminary stage, one case that should have been referred to OIG was not referred. Timely referrals to OIG further OIG's ability to evaluate evidence and pursue recoveries.

## BACKGROUND

Managed care organizations (MCOs) including Molina are required to establish an SIU to investigate fraudulent claims and other program waste and abuse by members and service providers. Effective SIU functions are essential to support overall MCO cost containment efforts, and to ensure that state and federal funds spent on managed care are used appropriately.

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## INTRODUCTION

The Texas Health and Human Services (HHS) Office of Inspector General (OIG) Audit Division conducted an audit of special investigative unit (SIU) activities at Molina Healthcare of Texas, Inc, (Molina), a Medicaid and Children’s Health Insurance Program (CHIP) managed care organization (MCO).

Unless otherwise described, any year that is referenced is the state fiscal year, which covers the period from September 1 through August 31.

### Objective and Scope

The audit objective was to evaluate the effectiveness of MCO SIU performance in (a) preventing, detecting, and investigating fraud, waste, and abuse in Texas Medicaid and CHIP and (b) reporting reliable information on SIU activities, results, and recoveries to HHSC.

The audit scope included 2018 and 2019, including relevant SIU activities through the end of fieldwork in November 2019.

### Background

The Texas Health and Human Services Commission (HHSC) contracts with Molina to coordinate health services in Texas for members enrolled in the Medicaid State of Texas Access Reform (STAR) program, CHIP, or in the STAR+PLUS program.<sup>1</sup> Molina is a licensed Texas MCO contracted to provide Medicaid and CHIP services through its network of providers.

Molina’s average enrolled member months for all programs in 2018 was 217,068.<sup>2</sup> Table 1 shows Molina’s capitation and delivery supplemental payments<sup>3</sup> by program.

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<sup>1</sup> The managed care contracts relevant to this audit include the Uniform Managed Care Contract, the STAR+PLUS Expansion Contract, and the CHIP Rural Service Area Contract. The Uniform Managed Care Contract is used for referencing contract requirements for this report.

<sup>2</sup> HHSC, “MCO Financial Summary SFY 2018 – 334 Day,” based on MCO Financial Statistical Reports.

<sup>3</sup> A “delivery supplemental payment” is a one-time payment per pregnancy to STAR, CHIP, and CHIP Perinatal MCOs for the delivery of live or still births.

**Table 1: Molina Capitation and Delivery Supplemental Payments by Program**

Program	2018	2019 <sup>4</sup>	Total
Medicaid	\$ 2,024,499,015	\$ 2,103,138,491	\$ 4,127,637,506
CHIP	59,604,879	55,621,448	115,226,327
Total	\$ 2,084,103,894	\$ 2,158,759,939	\$ 4,242,863,833

Source: HHSC Financial Statistical Reports; 2019 data as of September 30, 2019.

Molina is one of 18 contracted MCOs responsible for administering, on behalf of the State of Texas, \$21.8 billion<sup>5</sup> of Medicaid and CHIP health care services in 2018 through its health plans.

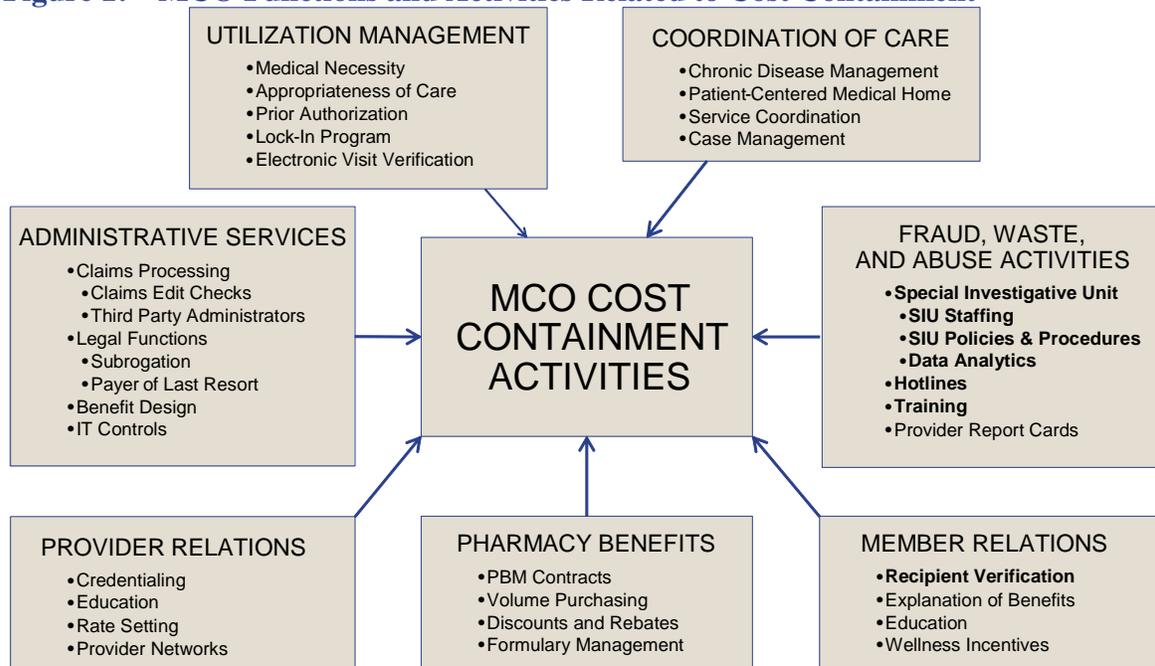
HHSC requires MCOs to establish and maintain an SIU to investigate potential fraud, waste, and abuse by members and health care service providers.<sup>6</sup> When fraud has been substantiated, MCOs are required to report the fraud to the OIG and Office of Attorney General's Medicaid Fraud Control Unit. While an MCO may contract with an outside organization to perform all or part of the activities associated with the SIU, Molina has an internal SIU department located at its corporate offices in Long Beach, California. In June 2018, Molina engaged a subcontractor to augment its SIU function.

SIUs support MCO cost containment efforts through the prevention and detection of fraud, waste, and abuse. MCOs maintain many functions and activities outside of SIUs to control costs, and SIUs may conduct activities that relate to other business areas besides Medicaid and CHIP. As a result, the functional and organizational structure of cost containment activities varies across MCOs. Figure 1 provides a partial overview of the types of activities MCOs employ to help reduce costs and detect fraud, waste, and abuse. This information is not meant to represent a complete set of activities, nor does it represent the structure of the business units at Molina or any other specific MCO.

<sup>4</sup> HHSC Financial Statistical Report; 2019 data through August 31, 2019.

<sup>5</sup> HHSC Financial Statistical Reports; 2019 data through August 31, 2019.

<sup>6</sup> Uniform Managed Care Contract, Attachment B-1 § 8.1.19.1, v. 2.24 (Sept. 1, 2017) through v. 2.28 (Mar. 1, 2019).

**Figure 1: MCO Functions and Activities Related to Cost Containment**

Source: *OIG Audit Division*

The activities in bold in Figure 1, under “Fraud, Waste, and Abuse Activities” and “Member Relations,” designate some of the areas of focus of this audit, including (a) SIU staffing, policies and procedures, and data analytics; (b) hotlines; (c) training; and (d) recipient verification. This audit evaluated Molina’s SIU efforts related to:

- Prevention processes, such as fraud, waste, and abuse training.
- Detection activities, such as complex data analysis, periodic provider audits, intake of fraud referrals, and verification that recipients received billed services.
- Investigation efforts, such as conducting preliminary investigations and SIU case management.
- Report disposition of fraud, waste, and abuse investigations, including referrals to the OIG, corrective action plans, and monetary recoveries.

HHS agencies administer public health and social service programs for the State of Texas. Within HHS, Medicaid and CHIP Services (MCS) oversees Medicaid and CHIP, which are jointly funded state-federal programs that provide medical coverage to eligible individuals.

MCS is responsible for overall management and monitoring of the contract with Molina. The OIG receives Molina's annual fraud, waste, and abuse plan and evaluates fraud referrals it receives from Molina. The plan submitted by Molina must describe the procedures for referring suspected fraud, waste, and abuse to the OIG.<sup>7</sup>

## Methodology

To accomplish its objectives, the OIG Audit Division collected information for this audit through discussions and interviews with responsible staff at Molina, and through request and review of the following information:

- A description of the SIU function and organizational structure.
- A list of individuals in the SIU function, including their names, titles, and a description of their qualifications.
- Policies and practices associated with prevention, detection, investigation, disposition, and reporting of fraud, waste, and abuse.
- Data and other supporting evidence related to SIU performance, including investigations, recoveries, and referrals in 2018 and 2019.
- Significant SIU internal controls and processes in place to prevent, detect and investigate fraud, waste, and abuse and report reliable information to HHSC.
- Relevant information systems that support the SIU activities.

The OIG Audit Division conducted an on-site visit at Molina's corporate headquarters in Long Beach, California, in September 2019. While on site, the OIG Audit Division interviewed responsible SIU personnel and representatives from Deloitte regarding their roles in SIU activities, evaluated policies and practices relevant to the SIU function, and reviewed relevant SIU activities, including those related to prevention, detection, investigation, disposition, and reporting.

The OIG Audit Division presented the audit results, issues, and recommendations to Molina in a draft report dated April 9, 2020. In its management response, Molina indicated agreement with the audit results and stated that actions plans to address audit issues either have already been implemented or will be implemented by June 2020. The Molina management responses to audit recommendations are

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<sup>7</sup> 1 Tex. Admin. Code §§ 353.502(c)(5) (Mar. 1, 2012, and July 18, 2019) and 370.502(c)(5) (Mar. 1, 2012).

contained in the report following each recommendation, and the full management response letter is presented in Appendix B of the report.

## Criteria

The OIG Audit Division used the following criteria to evaluate the information provided:

- Tex. Gov. Code § 531.113 (2015)
- 1 Tex. Admin. Code § 353 (2012 and 2019)
- 1 Tex. Admin. Code § 370 (2012)
- Uniform Managed Care Contract, v. 2.24 (2017) through v. 2.28 (2019)
- Molina Fraud, Waste, and Abuse Compliance Plan (2018 and 2019)
- Molina SIU Policies and Procedures

## Auditing Standards

### Generally Accepted Government Auditing Standards

The OIG Audit Division conducted this audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the issues and conclusions based on our audit objectives. The OIG Audit Division believes the evidence obtained provides a reasonable basis for our issues and conclusions based on our audit objectives.

### ISACA (formerly known as the Information Systems Audit and Control Association)

The OIG Audit Division performs work in accordance with the IT Standards, Guidelines, and Tools and Techniques for Audit and Assurance and Control Professionals published by ISACA.

## AUDIT RESULTS

Molina maintains a fraud, waste, and abuse plan in accordance with contractual and regulatory SIU requirements for MCOs. The plan describes how Molina can strengthen program integrity by monitoring service providers, auditing claims, identifying overpayments, and educating members and providers.

The OIG Audit Division evaluated compliance with plan elements to determine the effectiveness of the SIU in preventing, detecting, investigating, and reporting fraud, waste, and abuse.

During the audit period, Molina (a) submitted a fraud, waste, and abuse plan that was supplemented by written policies and procedures and (b) dedicated sufficient internal and external resources to its SIU function. Molina also maintained a fraud, waste, and abuse hotline and submitted the monthly report of open cases timely, conducted recipient verifications, and accurately reported SIU recovery amounts to HHSC. Overall, Molina complied with training requirements.

Molina did not include information on its website for two of the five topic areas required by its fraud, waste, and abuse plan or include waste as a topic for educating members. In addition, Molina did not conduct all preliminary investigations within 15 days or include sufficient background research in all its preliminary investigations. Molina made a total of 62 referrals to OIG in 2018 and 2019, but it did not report all referrals within 30 days as required.

The OIG Audit Division communicated a less significant non-reportable issue to Molina in writing.

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### **Issue 1: Molina's Member Website Did Not Include All Information Required by Molina's Fraud, Waste, and Abuse Plan**

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Molina's member website did not contain information for two of the five topic areas defined in its fraud, waste, and abuse plan:

- False Claims Act
- Tips for preventing fraud and abuse

In addition, the section of Molina's fraud, waste, and abuse plan related to the education of members does not include waste as a topic, as required by TAC.

TAC requires MCOs to educate recipients and providers about their responsibilities, the responsibility of others, the definition of fraud, waste, and

abuse, and how to report it.<sup>8</sup> Molina's fraud, waste, and abuse plan states the member website will contain (a) definitions of fraud and abuse and (b) the False Claims Act, (c) examples of fraud and abuse, (d) tips for preventing fraud and abuse, and (e) instructions for reporting suspected fraud and abuse.<sup>9</sup>

By not including all required information on its website, Molina was out of compliance with its fraud, waste, and abuse plan and with TAC. Providing members with the information may increase the likelihood that members will detect potential fraud, waste, and abuse and proactively notify Molina, while omitting the information may reduce the likelihood of detection and notification.

### **Recommendation 1**

Molina should ensure its fraud, waste, and abuse plan includes waste as an educational topic for members and that topics required by the plan are included in its online member content.

### **Management Response**

#### Action Plan

1. *Language that describes the False Claims Act and tips related to fraud, waste and abuse have been drafted for the Molina member website. The inclusion of that language on the Molina member website will require advance review and approval by HHSC. Upon approval from HHSC, the content will be translated into Spanish and posted on the Molina member website.*
2. *Molina has revised the language of the Molina Fraud, Waste, and Abuse Plan to include a reference to "waste" in the section related to the education of members.*

#### Responsible Manager

*SIU Manager, Molina Healthcare of Texas Compliance*

#### Target Implementation Date

*June 2020*

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<sup>8</sup> 1 Tex. Admin. Code §§ 353.502(c)(6)(F) (Mar. 1, 2012, and July 18, 2019) and 370.502(c)(6)(F) (Mar. 1, 2012).

<sup>9</sup> Molina Healthcare of Texas Fraud, Waste, and Abuse Plan § 2.1.3 (2018) and § 2.0.3 (2019).

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**Issue 2: Molina Did Not Include Background Research on All Parties Involved in a Case in Most of Its Preliminary Investigations**

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TAC states an MCO's preliminary investigation should include determining if there are previous reports of fraud, waste, and abuse; determining if the provider has received educational training from the MCO regarding the allegation; reviewing the provider's billing patterns; reviewing the provider's payment history for the past three years; and determining whether the new allegation is a violation.<sup>10</sup> Molina's fraud, waste, and abuse plan mirrors this requirement.<sup>11</sup>

A sample of 25 preliminary investigations was reviewed, of which 15 related to personal care attendant services involving 15 different personal care service agencies. In 13 of the 15 preliminary investigations, Molina focused efforts only on the personal care attendant (individual) level and did not conduct background research on the agencies that employed the attendants. Molina indicated no additional research was necessary for the 13 cases but did not document justification for this decision.

Focusing only on the individual providers and not the agencies that employed the providers limits the effectiveness of the preliminary investigation and may impede detection of potential fraud, waste, and abuse committed by the agencies. Expanding research to the agencies may help determine if there is a pattern of inappropriate behavior by the agencies instead of, or in addition to, the individual personal care attendants.

**Recommendation 2**

Molina should:

- Develop controls to ensure that, when determined necessary, research is performed on all parties involved in a potential fraud, waste, and abuse case.
- When additional research is determined to be unnecessary, document the justification for not conducting the additional research.

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<sup>10</sup> 1 Tex. Admin. Code §§ 353.502(c)(2)(B) (Mar. 1, 2012, and July 18, 2019) and 370.502(c)(2)(B) (Mar. 1, 2012).

<sup>11</sup> Molina Healthcare of Texas Fraud, Waste, and Abuse Plan § 5.1.1.1 (2018) and § 5.1.0.1 (2019).

## **Management Response**

### Action Plan

1. *Applicable policy will be modified to reflect the requirement that preliminary reviews include a background check on all parties involved in the potential FWA case.*
2. *Create a case tracking grid with audit rules to be complied with, including but not limited to requirements to timely perform preliminary assessments, that will include all parties involved in a potential case of FWA. The tracking grid will be monitored on an ongoing basis by management to assure that upcoming due dates and related TAC rules are met timely and documented as deemed appropriate.*
3. *Train staff on compliance with action item number one and ongoing use of action item number two.*

### Responsible Managers

- *Associate Vice President for Molina Fraud, Waste, and Abuse Operations*
- *Special Investigations Unit Manager*
- *Director of Fraud, Waste, and Abuse Operations*

### Implementation Date

*All stated action plan steps have been reported by Molina as completed and implemented.*

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## **Issue 3: Molina Did Not Initiate Preliminary Investigations for All Cases Within 15 Working Days**

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In 6 of 25 cases reviewed, Molina did not conduct preliminary investigative activities within 15 working days of the date the case was opened. The six cases were opened in 2018 and the average number of days between opening the case and the initial investigative activity was 62 days.

TAC states the MCO must conduct a preliminary investigation within 15 working days of the identification or reporting of suspected or potential fraud, waste, and abuse.<sup>12</sup> This requirement is also found in Molina's fraud, waste, and abuse plan.<sup>13</sup>

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<sup>12</sup> 1 Tex. Admin. Code §§ 353.502(c)(2)(A) (Mar. 1, 2012, and July 18, 2019) and 370.502(c)(2)(A) (Mar. 1, 2012).

<sup>13</sup> Molina Healthcare of Texas Fraud, Waste, and Abuse Plan § 5.1.1.1 (2018) and § 5.0.1.1 (2019).

Conducting timely preliminary investigations helps ensure Molina's SIU function effectively (a) investigates potential fraud, waste, and abuse, (b) timely identifies overpayments and recovers Medicaid funds, and (c) appropriately reports SIU activities and results to OIG. By not conducting preliminary investigative activities within 15 working days, Molina did not comply with TAC and its fraud, waste, and abuse plan requirements.

### **Recommendation 3**

Molina should develop controls to ensure that all preliminary investigations are conducted within 15 working days of identification or reporting of potential fraud, waste, or abuse as required by TAC and Molina's fraud, waste, and abuse plan.

### **Management Response**

#### Action Plan

1. *Create a case tracking grid with audit rules to be complied with, including but not limited to requirements to timely perform preliminary assessments within 15 working days of the identification or reporting of suspected or potential fraud, waste, and abuse. The tracking grid will be monitored on an ongoing basis by management to assure that upcoming due dates and applicable TAC rules are met timely.*
2. *Train staff on compliance and ongoing use of action item number one.*

#### Responsible Managers

- *Associate Vice President for Molina Fraud, Waste, and Abuse Operations*
- *Special Investigations Unit Manager*
- *Director of Fraud, Waste, and Abuse Operations*

#### Implementation Date

*All stated action plan steps have been reported by Molina as completed and implemented.*

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## **Issue 4: Molina Did Not Report All Referrals to OIG Within 30 Working Days**

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Molina made a total of 62 referrals to OIG in 2018 and 2019. The OIG Audit Division reviewed a non-statistical random sample of 30 referrals to OIG. Two referrals were removed from the sample because they had been reported to OIG in error. Of the remaining 28 referrals, Molina did not report 6 to OIG within 30

working days of receiving reports of possible acts of fraud, waste, or abuse as required by TAC. Additionally, a separate review of 10 investigations from the sample of 30 investigations that went beyond the preliminary stage identified one case that should have been referred to OIG but was not referred.

TAC requires an MCO's assigned officer or director to report and refer all possible acts of fraud, waste, and abuse to OIG within 30 working days of receiving a report of the possible acts.<sup>14</sup> In addition, Molina's fraud, waste, and abuse plan states all possible acts of waste, abuse, or fraud will be reported and referred to OIG within 30 working days of receiving the report of possible acts of fraud, waste, and abuse.<sup>15</sup>

By not reporting all fraud, waste, and abuse cases to OIG within 30 working days, Molina did not comply with TAC or its own fraud, waste, and abuse plan requirements. Not reporting investigations within the required timeframes may limit OIG's ability to effectively analyze encounter data, evaluate evidence, and make the determination to pursue fraud, waste, and abuse recoveries.

#### **Recommendation 4**

Molina should develop controls to ensure that all cases of potential fraud, waste, or abuse are reported to OIG within 30 working days as required by TAC and Molina's fraud, waste, and abuse plan.

#### **Management Response**

##### Action Plan

- 1. Create a case tracking grid with audit rules to be complied with, including but not limited to, requirements to timely refer cases of potential fraud, waste, or abuse to OIG within 30 working days of the completion of the SIU audit. The tracking grid will be monitored on an ongoing basis by management to assure that upcoming due dates and applicable TAC rules are met timely.*
- 2. Train staff on compliance with and ongoing use related to action item number one.*

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<sup>14</sup> 1 Tex. Admin. Code §§ 353.502(c)(5)(D) (Mar. 1, 2012, and July 18, 2019) and 370.502(c)(5)(D) (Mar. 1, 2012). During the audit scope, OIG amended the TAC requirement to extend the reporting timeframe. The cases selected for testing in this audit did not contain any referrals submitted to OIG after the TAC update.

<sup>15</sup> Molina Healthcare of Texas Fraud, Waste, and Abuse Plan § 5.1.4.1 (2018) and § 5.0.4.1 (2019).

Responsible Managers

- *Associate Vice President for Molina Fraud, Waste, and Abuse Operations*
- *Special Investigations Unit Manager*
- *Director of Fraud, Waste, and Abuse Operations*

Implementation Date

*All stated action plan steps have been reported by Molina as completed and implemented.*

## CONCLUSION

The OIG Audit Division completed an audit of Molina's SIU performance. The audit included an evaluation of policies and practices associated with preventing, detecting, investigating, and reporting fraud, waste, and abuse.

HHSC and Molina share accountability for ensuring that state and federal dollars are used to deliver cost-effective health care services to eligible Medicaid enrollees. An effective SIU function is essential to ensure that:

- State and federal funds spent on managed care are used appropriately.
- Suspected fraud is detected, investigated, and when substantiated, reported to the OIG and the Office of Attorney General's Medicaid Fraud Control Unit.
- Funds lost to fraud, waste, and abuse are recovered and reported to OIG.
- Capitation rates established for Medicaid and CHIP accurately reflect the cost of providing health care services to eligible beneficiaries.

Based on the results of its audit of Molina's SIU, Molina:

- Had a fraud, waste, and abuse plan in place
- Dedicated sufficient resources to its SIU function
- Conducted recipient verifications
- Had written SIU policies and procedures in place
- Maintained a fraud, waste, and abuse hotline
- Submitted a monthly report of open cases timely
- Reported recoveries accurately

Opportunities for Molina to strengthen its SIU efforts exist in the areas of preliminary investigations, referrals, and ensuring all required topics are included where required. Specifically, the OIG Audit Division found that Molina did not:

- Include all information required by its fraud, waste, and abuse plan on its website and include waste as an educational topic for members in its plan.
- Include background research on all parties involved in a case in most of the preliminary investigations tested.

- Initiate preliminary investigations for all cases tested within 15 working days.
- Report all referrals to HHS-OIG within 30 working days.

The OIG Audit Division offered recommendations to Molina which, if implemented, will ensure:

- The fraud, waste, and abuse plan includes waste as an educational topic for members and that topics required by the plan are included in its online member content.
- Preliminary investigations are conducted within required timelines and include research on all parties associated with the potential fraud, waste, or abuse.
- Referrals are reported to OIG within required timelines.

For instances of noncompliance identified in this audit report, Medicaid and CHIP Services may consider tailored contractual remedies to compel Molina to meet state and contractual requirements related to its SIU function. In addition, audit findings in this report may be subject to OIG administrative enforcement measures,<sup>16</sup> including administrative penalties.<sup>17</sup>

The OIG Audit Division thanks the management and staff at MCS and Molina for their cooperation and assistance during this audit.

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<sup>16</sup> 1 Tex. Admin. Code § 371.1603 (May 1, 2016).

<sup>17</sup> Tex. Hum. Res. Code § 32.039 (Apr. 2, 2015).

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## **Appendix A: Testing Methodology**

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The OIG Audit Division examined SIU activities for the period from September 2017 through August 2019. After an initial assessment of risk across SIU activities, the OIG Audit Division performed testing of employee training from the population of Molina SIU staff and tested a random sample of preliminary and extensive investigations for compliance with TAC. Referrals to OIG of potential fraud, waste, or abuse were also tested for compliance.

### **Molina Employee Training**

The OIG Audit Division tested whether Molina staff attended annual fraud, waste, and abuse training, as well as whether staff employed less than a year received training within 60 days and 90 days of hire. Specifically, it tested training records for all 63 SIU and other Molina staff directly involved in Medicaid who were employed during the audit period.

### **Molina SIU Investigations**

The OIG Audit Division conducted testing to assess whether Molina's SIU conducted preliminary investigations within 15 working days of the identification or reporting of suspected or potential fraud, waste, or abuse. Auditors tested a random sample of 25 investigations conducted during the audit period. For the 10 investigations in the sample that went beyond the preliminary stage, compliance with additional timelines, the selection of a sample of claims, and the review of required records were tested.

### **Molina Referrals**

The OIG Audit Division tested a non-statistical random sample of 30 referrals received by the OIG to assess whether Molina made the referrals within 30 working days of receiving reports of possible acts of fraud, waste, and abuse. Also, the sample of investigations selected for testing was checked for timely reporting to OIG.

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**Appendix B: Molina's Management Response**

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May 14, 2020

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RE: Molina Healthcare of Texas Letter of Comment and Audit Finding Responses

Molina HealthCare of Texas (Molina), a Managed Care Organization (MCO) contracted with the Texas Health and Human Services Commission (HHSC), appreciates the opportunity to formally provide comment on and responses to findings contained in the Texas Health and Human Services (HHS) Office of Inspector General (OIG) Draft Audit Report of Molina's Texas Medicaid and CHIP Special Investigative Unit (SIU).

The following sections contain Molina's comments and responses to the OIG draft audit report referenced above.

Anne Rote

Anne Rote, President  
Molina HealthCare of Texas, Inc.

5-14-2020

Date

## **Molina Healthcare of Texas Comments**

Molina Healthcare of Texas (Molina), an MCO contracted with the HHSC to provide managed Medicaid and CHIP services to Texas members, maintains a fraud, waste, and abuse plan to establish and maintain processes that are compliant with the Uniform Managed Care Contract (UMCC), Uniform Managed Care Manual (UMCM) and applicable state and federal rules and statutes. The plan describes how Molina performed certain actions in relation to program integrity by monitoring service providers, auditing claims, identifying overpayments, and educating employees, members and providers about matters related to fraud, waste and abuse.

The HHS-OIG Audit Division performed an audit of the Molina Medicaid and CHIP SIU that evaluated compliance with plan elements to determine the effectiveness of the Molina at (a) preventing, detecting, and investigating fraud, waste, and abuse and (b) reporting reliable information on SIU activities, results, and recoveries. Molina has reviewed the audit findings in the HHS-OIG draft audit report of the Molina Texas Medicaid and CHIP MCO SIU and appreciates the opportunity to respond to the issues presented.

## Molina Response to Draft Audit Report Findings

**Issue 1:** Molina’s Member Website Did Not Include All Information Required by Molina’s Fraud, Waste, and Abuse Plan

**OIG Recommendation Issue 1:**

Molina should ensure its fraud, waste, and abuse plan includes waste as an educational topic for members and that topics required by the plan are included in its online member content.

**Molina Management Response:**

Molina agrees with the OIG statement in Issue 1 that the content on the Molina member website did not include the two topics mentioned and that a reference to waste was not included in Molina’s fraud, waste and abuse plan at the time of the OIG review.

However, Molina would like to emphasize that Molina was compliant with the TAC requirements that indicate the MCO must educate recipients and providers about their responsibilities, the responsibility of others, the definition of fraud, waste, and abuse, and how to report it.

Molina provides information to Molina members on the topics of fraud, waste and abuse in the Molina member handbook and on the Molina member website. The information provided to Molina members includes the HHSC required language related to fraud, waste and abuse (FWA) that provides information on the topics: definitions of FWA, examples of FWA and how to report such issues. The content on these topics were present in both the Molina member handbook and the Molina member website at the time of the OIG review.

**Action Plan:**

1. Language that describes the False Claims Act and tips related to fraud, waste and abuse have been drafted for the Molina member website. The inclusion of that language on the Molina member website will require advance review and approval by HHSC. Upon approval from HHSC, the content will be translated into Spanish and posted on the Molina member website.
2. Molina has revised the language of the Molina Fraud, Waste and Abuse Plan to include a reference to “waste” in the section related to the education of members.

Responsible Manager:

SIU Manager, Molina Healthcare of Texas Compliance

Target Implementation Date:

The target implementation date for the update to the Member Website Content is 30 business days which is June 1, 2020. The revision of the Molina Fraud, Waste and Abuse Plan was completed in April 2020.

**Issue 2:** Molina Did Not Include Background Research on All Parties Involved in a Case in Most of Its Preliminary Investigations

**OIG Recommendation 2:**

Molina should:

- Develop controls to ensure that, when determined necessary, research is performed on all parties involved in a potential fraud, waste, and abuse case.
- When additional research is determined to be unnecessary, document the justification for not conducting the additional research.

**Molina Management Response:**

Molina generally agrees with OIG Issue 2. The exceptions noted in the OIG audit report were all related to one anomaly concept that was investigated over a number of cases taken as a group, related to a focus on home health services. A single decision to perform the background check on only the personal care attendant and not the agency as well, led to multiple instances of the finding across a number of cases related to this one recommendation.

Action Plan:

1. Applicable policy will be modified to reflect the requirement that preliminary reviews include a background check on all parties involved in the potential FWA case.
2. Create a case tracking grid with audit rules to be complied with, including but not limited to requirements to timely perform preliminary assessments, that will include all parties involved in a potential case of FWA. The tracking grid will be monitored on an ongoing basis by management to assure that upcoming due dates and related TAC rules are met timely and documented as deemed appropriate.
3. Train staff on compliance with action item number one and ongoing use of action item number two.

Responsible Manager:

The Associate Vice President (AVP) for Molina Fraud, Waste and Abuse (FWA) operations is responsible for the update of the policy, and the design of the tracking grid. The Molina Special Investigations Unit (SIU) Manager under the oversight of the Director of FWA operations is responsible for the implementation and follow up of the tracking grid, and the training of staff on its ongoing use.

Target Implementation Date:

All stated action plan steps have been completed and implemented. The tracking grid was created for use effective with January 2020 cases forward in anticipation of findings in this area and the need for a corrective action. Training on the grid occurred immediately following its creation and is already in ongoing production. The Policy update was completed on April 8, 2020 for immediate implementation. Applicable verbal training has already been deployed to the staff in advance of the formal policy update.

**Issue 3: Molina Did Not Initiate Preliminary Investigations for All Cases Within 15 Working Days****OIG Recommendation 3:**

Molina should develop controls to ensure that all preliminary investigations are conducted within 15 working days of identification or reporting of potential fraud, waste, or abuse as required by TAC and Molina's fraud, waste, and abuse plan.

**Molina Management Response:**

Molina agrees with OIG Issue 3.

Action Plan:

1. Create a case tracking grid with audit rules to be complied with, including but not limited to requirements to timely perform preliminary assessments within 15 working days of the identification or reporting of suspected or potential fraud, waste, and abuse. The tracking grid will be monitored on an ongoing basis by management to assure that upcoming due dates and applicable TAC rules are met timely.
2. Train staff on compliance and ongoing use of action item number one.

Responsible Manager:

The AVP for Molina Fraud, Waste and Abuse (FWA) operations is responsible for the update of the policy, and the design of the tracking grid. The Molina Special Investigations Unit (SIU) Manager under the oversight of the Director of FWA operations is responsible for the implementation and follow up of the tracking grid, and the training of staff on its ongoing use.

Target Implementation Date:

All stated action plan steps have been completed and implemented. The tracking grid was created for use effective with January 2020 cases forward in anticipation of findings in this area and the need for a corrective action. Training on the grid occurred immediately following its creation and is already in ongoing production.

**Issue 4: Molina Did Not Report All Referrals to OIG Within 30 Working Days****OIG Recommendation 4:**

Molina should develop controls to ensure that all cases of potential fraud, waste, or abuse are reported to OIG within 30 working days as required by TAC and Molina's fraud, waste, and abuse plan.

**Molina Management Response:**

Molina agrees with OIG Issue 4.

Action Plan:

1. Create a case tracking grid with audit rules to be complied with, including but not limited to, requirements to timely refer cases of potential fraud, waste, or abuse to OIG within 30 working days of the completion of the SIU audit. The tracking grid will be monitored on an ongoing basis by management to assure that upcoming due dates and applicable TAC rules are met timely.
2. Train staff on compliance with and ongoing use related to action item number one.

Responsible Manager:

The AVP of Molina FWA operations is responsible for the design of the tracking grid. The Molina SIU Manager under the oversight of the Director of Molina FWA operations, is responsible for the implementation and follow up of the tracking grid, and the training of staff on its ongoing use.

Target Implementation Date:

All stated action plan steps have been completed and implemented. The tracking grid was created for use effective with January 2020 cases forward in anticipation of findings in this area and the need for a corrective action. Training on the grid occurred immediately following its creation and is already in ongoing production.

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## Appendix C: Report Team and Distribution

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### Report Team

OIG staff members who contributed to this audit report include:

- Audrey O’Neill, CIA, CFE, CGAP, Chief of Audit and Inspections
- Kacy VerColen, CPA, Assistant Deputy Inspector General for Audit
- Steve Sizemore, CIA, CISA, CGAP, Audit Director
- Melissa Larson, CIA, CISA, CFE, HCISPP, Audit Manager
- Bruce Andrews, CPA, CISA, Audit Project Manager
- JoNell Abrams, CIGA, Staff Auditor
- Krisselda Bactad, Staff Auditor
- Mo Brantley, Senior Audit Operations Analyst

### Report Distribution

#### Health and Human Services

- Phil Wilson, Acting Executive Commissioner
- Victoria Ford, Acting Chief Operating Officer and Chief Policy and Regulatory Officer
- Karen Ray, Chief Counsel
- Michelle Alletto, Chief Program and Services Officer
- Nicole Guerrero, Director of Internal Audit
- Stephanie Stephens, State Medicaid Director, Medicaid and CHIP Services
- Camisha Banks, Interim Director, Managed Care Compliance and Operations

#### Molina

- Anne Rote, President
- Paul Sturm, Vice President, Compliance
- Carl Kidd, Vice President of Government Contracts

- Scott Campbell, Associate Vice President, Molina Fraud, Waste, and Abuse Operations
- Shane Tiernan, Director of Fraud, Waste, and Abuse Operations
- Kate Koons, Special Investigations Unit Manager, Molina Healthcare of Texas Compliance
- Ronald Lee, Special Investigations Unit Manager
- Lovey Barnes, Director for Government Contracts

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## **Appendix D:  OIG Mission, Leadership, and Contact Information**

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The mission of OIG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of OIG’s mission and statutory responsibility includes:

- Sylvia Hernandez Kauffman, Inspector General
- Susan Biles, Chief of Staff
- Dirk Johnson, Chief Counsel
- Christine Maldonado, Chief of Operations and Workforce Leadership
- Juliet Charron, Chief of Strategy
- Mike Thomas, Interim Chief of Investigations
- Steve Johnson, Chief of Medicaid Program Integrity

### **To Obtain Copies of OIG Reports**

- OIG website: [ReportTexasFraud.com](http://ReportTexasFraud.com)

### **To Report Fraud, Waste, and Abuse in Texas HHS Programs**

- Online: <https://oig.hhsc.texas.gov/report-fraud>
- Phone: 1-800-436-6184

### **To Contact OIG**

- Email: [OIGCommunications@hhsc.state.tx.us](mailto:OIGCommunications@hhsc.state.tx.us)
- Mail: Texas Health and Human Services Commission  
Office of Inspector General  
P.O. Box 85200  
Austin, Texas 78708-5200
- Phone: 512-491-2000