



Audit of Managed Care Organization Special Investigative Units

Presentation to House Human Services Committee
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Health and Human Services Commission
March 8, 2016

MCOs in Texas

- Managed care is the primary service delivery method for Medicaid and CHIP in Texas
- 87 percent of those enrolled in Medicaid and CHIP are managed care members
- The IG audit plan for fiscal year 2016 contains nine audits related to managed care, including audits of MCO special investigative units

MCO special investigative units

- SIUs partner with the IG to combat fraud, waste, and abuse
- Pursuant to contract and state law, MCOs must:
 - Establish SIUs to detect and deter fraud, waste, and abuse
 - SIUs refer certain fraud, waste, and abuse cases to the IG or recover overpayments

Audit of SIUs

- Data submitted by MCOs indicate the following recovery amounts in fiscal years 2014 and 2015

Year	Total claims	Total recoveries	Recoveries as % of claims
2014	\$11.7 billion	\$3.9 million	0.03%
2015	\$12.5 billion	\$2.5 million	0.02%

- MCOs referred 139 cases to IG in fiscal year 2015 comprising \$9.9 million in potential fraud, waste, and abuse

Issues affecting MCO efforts to combat fraud

- MCOs indicate that preventive efforts like prior authorization are effective at controlling fraud, waste, and abuse rather than “pay and chase”
- Referrals involving potential fraud, waste, and abuse of over \$100,000 are usually investigated by the IG, with lower dollar cases handled by the SIUs

SIU/IG partnership issues

- In the past, the IG was insufficiently responsive to SIU referrals
- MCOs did not receive timely feedback on the status of IG investigations or on results
- IG returns of referrals to MCOs were often too late for effective SIU investigations

2016 SIU Audit plan

- The IG issued an informational report (not an audit) on February 5, 2016, that found MCO SIUs produced the following results:
 - Recovered \$2.5 million in fiscal year 2015
 - Wide variation among MCOs regarding resources committed to the SIUs
 - SIU staff ranged from less than 1 FTE to 11 FTEs

Audits in progress

- The IG has selected five MCOs and one contractor for further audit work
- Fieldwork on one MCO completed with draft report issuance imminent
- Fieldwork on remaining MCOs and one contractor will take place during the next three months, with reports issued soon thereafter
- The IG will issue a final report summarizing all the audits later this summer

IG Audit plan

- In addition to SIU audits, the IG is auditing MCO Utilization Management
- Other planned 2016 audits related to MCOs include:
 - MCO Support for Quarterly Payments
 - Managed Care Pharmacy Benefit Manager Compliance
 - Physician-Administered Drug Rebate Processes in MCOs
 - MCO Behavioral Health Initiatives Funded With Medicaid Dollars

IG Audit plan

- MCO Comprehensive Review
- Dental Management Organization Comprehensive Review
- Quality and Completeness of MCO Encounter Data, Including Comparison of Encounter Data with MCO Provider Claims Data