



**Department of Legislative Services  
Office of Legislative Audits**

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**Maryland Department of Health (MDH) -  
Medical Care Programs Administration (MCPA)**

Report Dated November 7, 2019

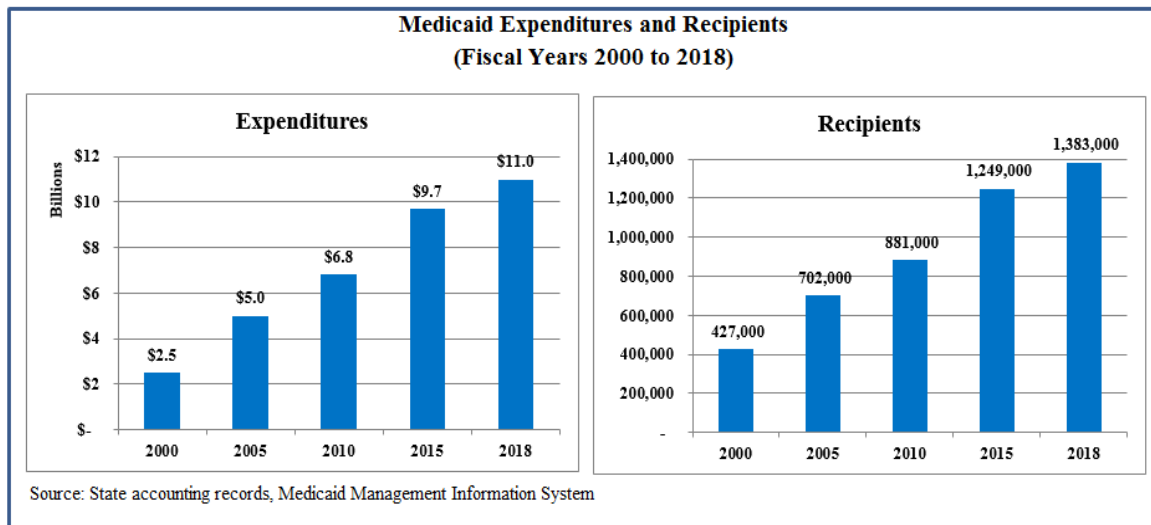
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### Report Overview

- The audit report covers MCPA activity during the period from July 1, 2015 and ending July 31, 2018.
- MCPA's expenditures have mirrored the growth in Medicaid enrollment since FY 2000.



- The audit report contained 11 findings, including 2 repeat findings from the prior audit report.



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### Report Overview (continued)

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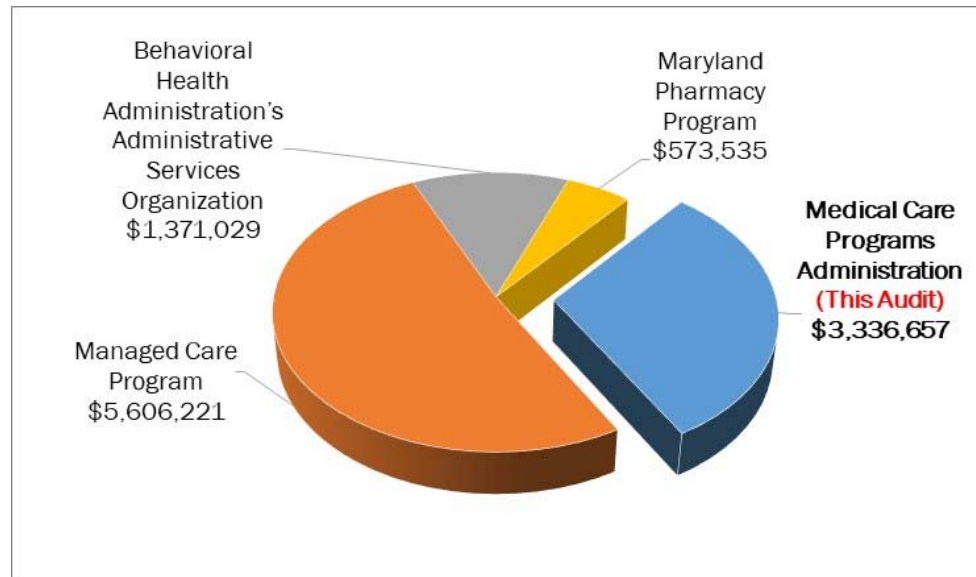
- During previous audit cycles, we conducted one audit for all aspects of MCPA's activities, whereas during the current audit cycle we conducted four separate audits of MCPA operations.
- This audit is the primary MCPA audit, accounting for approximately \$4 billion in expenditures in FY 2018.
- Separate audits are conducted of the Managed Care Program, Behavioral Health Administration's Administrative Services Organization (a MCPA responsibility), and the Maryland Pharmacy Program.
- In our previous audit report, we reported that MCPA's accountability and compliance level was unsatisfactory. During our current audit, we concluded that MCPA's accountability and compliance level is no longer unsatisfactory.



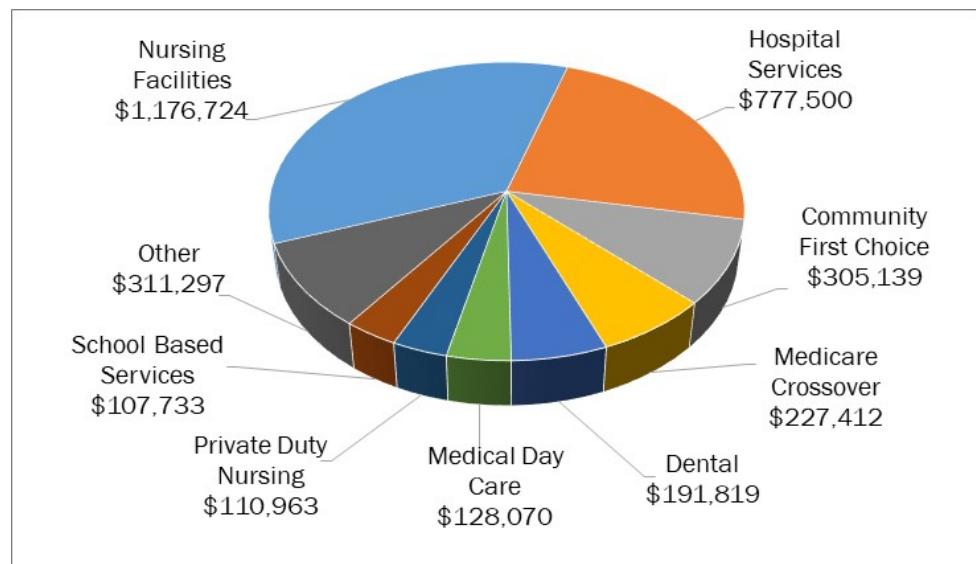
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### Report Overview (continued)

#### MCPA FY 2018 Expenditures by OLA Audit (in thousands)



#### MCPA FY 2018 Expenditures Subject to this Audit (in thousands)



Source: State accounting records, MMIS II



## Key Findings

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- MCPA did not provide sufficient oversight of vendors responsible for conducting utilization reviews and audits of hospitals and nursing facility services.
  - MCPA did not sufficiently document its review of investigations of questionable recipient eligibility.
  - MCPA did not ensure that all referrals of potential third-party health insurance were timely and properly investigated.
  - MCPA had conducted virtually no audits of hospital claim payments since 2007.
  - MCPA lacked sufficient oversight to ensure that elderly or disabled Community First Choice program recipients received the required services to assist with daily living activities.
  - MCPA did not audit all Medical Day Care program providers as required.
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## Vendor Oversight (Finding 1)

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MCPA did not sufficiently address errors noted in medical necessity hospitalization determinations made by its utilization control agent (UCA) vendor and did not ensure the UCA performed the required continuing stay reviews (CSRs) of nursing facilities.

- During the period from June 2016 to October 2018, MCPA determined that 1,889 of the 11,435 hospital days (17%) deemed medically necessary by the UCA were actually not medically necessary, including 1,215 days from fiscal year 2018 that we estimated cost \$4.6 million.
- Our analysis of 10,666 recipients residing in nursing facilities as of September 2018 disclosed that 2,328 recipients (22%) had not received the required CSRs.

According to the State's records, the UCA was paid approximately \$15.1 million as of October 2018.



## Vendor Oversight (Finding 2)

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- MCPA did not monitor the vendor responsible for conducting credit balance audits (intended to identify amounts due the State for claims paid by both MCPA and third parties) of hospitals and nursing facilities to ensure audits were timely and sufficiently comprehensive (**Repeat Finding**).
    - 29 of the 69 hospitals had not been audited during FY 2018.
    - 41 of the 215 nursing facilities had not been audited in FY 2017 or 2018 and the related contract did not specify the frequency of such audits.
    - MCPA did not review the vendor's audit procedures to ensure comprehensiveness.
  - MCPA management advised that it was generally aware that the vendor was not conducting the required audits, but it was unable to require corrective action because the vendor's contract did not provide for penalties, or other corrective actions to address vendor noncompliance.
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## Vendor Oversight (Finding 3)

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MCPA did not require nor obtain comprehensive reviews of the automated systems used by two vendors to ensure the security of sensitive data including personally identifiable information (PII) and protected health information (PHI) for all MCPA recipients.

- The American Institute of Certified Public Accountants guidance for service organizations (such as these vendors) includes an independent review of controls for which the resultant independent auditor's report is referred to as a System and Organization Controls (SOC) report.
  - The vendors' contracts did not require, and MCPA did not obtain, any independent audit reports from the vendors. Although we were advised that the vendors had obtained an independent review, the type of reviews obtained would not provide sufficient assurances regarding the security of MCPA data.
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## Recipient Enrollment (Finding 4)

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- MCPA did not sufficiently document its review of investigations of questionable recipient eligibility that are performed by the Department of Human Services (DHS) and others to ensure the proper corrective action was taken. While our current audit did not disclose any improper corrective actions, a recent OLA audit of DHS disclosed that appropriate corrective action was not taken for 29 of 31 system alerts that we tested.
  - MCPA did not take adequate follow-up action when its employees made incorrect changes to critical recipient eligibility information, such as date of birth and social security number. For example, MCPA noted that between 20% and 33% of the changes reviewed for 7 employees contained errors. MCPA did not expand its review of transactions processed by these employees and did not implement any additional training or disciplinary action.
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## Third-Party Liability (Finding 5)

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MCPA did not ensure that all referrals of potential third-party health insurance for Medicaid recipients were timely and properly investigated.

- As of September 2018, MCPA had not yet investigated the 64,700 such referrals received from Managed Care Organizations (MCOs) between May 2017 and July 2018. Federal regulations require MCPA to follow up on the potential third-party insurance information obtained within 60 days.
- MCPA did not adequately document supervisory reviews of referral investigations to ensure appropriate conclusions were reached and insurance status was properly updated. Our testing of 20 referrals disclosed that MCPA did not properly resolve 3 referrals and did not have sufficient documentation to support that 2 other referrals had been properly investigated.



## Hospital Services (Finding 6)

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MCPA conducted virtually no audits of hospital claims since calendar year 2007, which could result in payments for hospital services that were never provided or were not medically necessary (**Repeat Finding**).

- MCPA payments for hospital services totaled \$777.5 million during FY 2018.
- In June 2019, MCPA procured a new vendor to perform the audits. However, the scope of the contract excluded claim payments made from January 2008 through June 2015.
- MCPA has historically found these audits to be beneficial. Specifically, the audits for claim payments made in calendar years 2005 and 2006 identified overpayments totaling \$10.7 million.



## Community First Choice (Finding 7)

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MCPA did not ensure that Community First Choice (CFC) program recipients received quality services. MCPA contracted with nurse monitors to evaluate the quality of services, but did not have a process to ensure that the nurse monitors were conducting the evaluations.

- Our analysis of FY 2018 services disclosed that 2,019 of the 12,587 recipients (16%) were not evaluated by the nurse monitors.
- For recipients that were evaluated by the nurse monitors, MCPA did not review the sufficiency of the evaluations. Our review disclosed that the evaluations were not consistently performed, as we identified instances of fewer hours being provided than required by plans of service.

During fiscal year 2018, MCPA paid CFC providers \$305.1 million to help elderly or disabled individuals live in their own homes, rather than a nursing facility.

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### Other Findings

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#### Finding 8 – Medical Day Care

MCPA did not audit all Medical Day Care program providers as required and the related audit procedures were not sufficiently comprehensive.

#### Finding 9 – Nursing Facility Services Program

MCPA did not ensure ventilator care claims submitted by nursing facilities were valid.

#### Finding 10 – Claims Processing

Claims that were suspended by automated MCPA payment edits and subsequently reviewed and paid were not subject to sufficient supervisory review and approval.

#### Finding 11 – Information Systems Security

MCPA did not have sufficient procedures and controls to restrict access to its automated system used to pay provider claims. For example, 727 users could view personally identifiable information (PII) such as names and social security numbers of 3.5 million active and inactive Medicaid recipients.

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## Conclusions

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MCPA should:

- provide sufficient oversight of vendors responsible for conducting utilization reviews and audits of hospitals and nursing facility services and take appropriate corrective action to address any deficiencies;
  - obtain comprehensive reviews of vendor automated systems to ensure the security of sensitive data;
  - document its reviews of investigations of questionable recipient eligibility and take appropriate action when employees incorrectly change critical eligibility data;
  - ensure that referrals of potential third-party health insurance are timely and properly investigated;
  - ensure hospital claims are audited timely;
  - ensure that all CFC recipients receive quality services; and
  - take appropriate action to address the remaining findings in our report.
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