



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



October 1, 2026

Attorney General Anne Lopez
Office of the Hawaii Attorney General
425 Queen Street
Honolulu, HI 96813

Director Landon Murata
Medicaid Fraud Control Unit
Office of the Hawaii Attorney General
707 Richards Street, Suite 402
Honolulu, HI 96813

Dear Attorney General Lopez and Director Murata:

The Hawaii Medicaid Fraud Control Unit (MFCU or Unit) has made progress in combating Medicaid provider fraud and patient abuse and neglect and in protecting Medicaid program integrity. That progress and the improved working relationship between OIG and the Hawaii MFCU show promise for future progress. OIG also recognizes that your letter dated September 15, 2026, indicates that additional progress has been made in the last few weeks. Against the backdrop of multiple years of poor performance, however, 3 months of improvement is not enough to assure OIG that the Hawaii MFCU is effectively fighting Medicaid fraud and protecting Medicaid patients from abuse and neglect. OIG needs to see additional data showing continued progress to ensure that the MFCU's recent improvement is lasting and sustainable. Each month through December 31, 2026, OIG will assess additional data on the Unit's progress to determine whether the Unit has remediated concerns that formed the basis of the Hawaii MFCU's denial of recertification.

This letter serves as written notice and explanation of OIG's determination that the Hawaii MFCU has not fully remediated the concerns that formed the basis of the denial of recertification and suspension of the Hawaii MFCU grant, as described in OIG's June 4, 2026, letters. Consistent with OIG's June 4, 2026, letters, the Hawaii MFCU remains uncertified, and the Unit's fiscal year (FY) 2026 grant remains suspended. Additionally, the Unit will not be able to draw down FY 2027 grant funds at this time.

Basis for Not Recertifying the Hawaii MFCU

OIG determined that the Hawaii MFCU was not effectively carrying out its statutory functions and responsibilities as required by SSA §§ 1902(a)(61) and 1903(q) and implemented in 42 CFR part 1007. As a result, on June 4, 2026, OIG sent a letter denying the Hawaii MFCU's recertification request submitted on April 2, 2026. Also on June 4, 2026, OIG sent the Unit a separate letter notifying the Unit of the suspension of its grant. That letter set out the terms for regaining certification. It stated that for the MFCU to regain certification by September 30, 2026, the Unit must demonstrate that "it has remediated the compliance concerns that formed the

basis for this suspension as described in the recertification denial letter dated June 4, 2026.” Specifically, the MFCU must “develop a robust corrective action plan, approved by OIG, and demonstrate that it has taken action consistent with the corrective action plan over the equivalent of at least a quarter of a fiscal year.” The June 4, 2026, recertification denial letter also provided the Hawaii Unit the opportunity to request reconsideration of the denial. The Hawaii Unit submitted its request for reconsideration on June 5, 2026.

The Hawaii MFCU submitted progress reports in July and August 2026 and other updates that document the progress that the Hawaii MFCU has made to implement a corrective action plan that addresses each of OIG’s recommendations and has reported improved outcomes. The Unit also provided additional information in its June 5, 2006, request for reconsideration about the challenges the Unit faces due to the health care and legal environment in the State of Hawaii. For example, Hawaii’s constitution provides significantly higher protections to the accused than many other States, which can constrain criminal investigations and prosecutions. Because of this, the Hawaii Unit reported that it focused primarily on civil remedies, noting that in 2025, the Hawaii MFCU had more civil recoveries than many similarly sized Units. OIG has considered all of this information and all other information submitted by the Unit and concludes that in each instance, the Hawaii MFCU has shown a good start. OIG seeks an additional 12 weeks of data, which it will assess monthly, to make a recertification decision.

Although the Hawaii MFCU has submitted corrective action plans and made progress as evidenced by the updates the Unit provided to OIG, the Unit must demonstrate sustained progress under these plans for a longer period to ensure that the Unit is sufficiently addressing the concerns and deficiencies described in the June 4, 2026, recertification denial letter.

Findings Under Each of the Five Certification Factors in 42 CFR § 1007.17(c)(1)-(5)

OIG considered the following factors and information and determined that the Unit is not always effectively carrying out its statutory functions and requirements or complying with the terms and conditions of the MFCU grant.

1. Compliance With Regulations (42 CFR § 1007.17(c)(1)): The Hawaii MFCU generally complied with applicable laws and regulations.

2. Compliance With Policy Transmittals (42 CFR § 1007.17(c)(2)): The Hawaii MFCU generally complied with OIG policy transmittals.

3. Adherence to Performance Standards (42 CFR § 1007.17(c)(3)): During its initial recertification review, OIG determined that the Hawaii MFCU did not always adhere to the MFCU Performance Standards as published in the *Federal Register* (89 Fed. Reg. 76431, September 2024).

- Performance Standard 2—Staffing:

OIG determined that the Unit had deficiencies related to hiring investigators with appropriate experience and adequately training staff, which impeded its ability to effectively investigate fraud and patient abuse and neglect cases.

To correct this, the Hawaii MFCU established three goals in its corrective action plan designed to increase staff who can conduct health care fraud investigations.

- Goal 1: Hire between three and six qualified investigative staff by June 30, 2027.
- Goal 2: Train all investigative staff on the skills and knowledge needed to effectively investigate Medicaid fraud and patient abuse and neglect by March 31, 2027.
- Goal 3: Engage with the Office of Investigations' (OI's) regional team, the U.S. Attorney's Office, and other Federal agencies on joint investigations and/or prosecutions to improve knowledge and skills.

The Unit has made progress implementing this plan. For example, the Unit received approval from the Governor for a special project that creates three positions within the MFCU (a fraud investigator, a nurse investigator, and a data scientist). The Unit has also enrolled staff in training through the National Association of Medicaid Fraud Control Units and created a basic training program for all new MFCU employees to improve staff knowledge and capabilities. Finally, the Unit has established standing quarterly meetings with OI to help establish joint investigation protocols and with the U.S. Attorney's Office to get the MFCU Director designated as a Special Assistant U.S. Attorney.

While the Unit has made progress in addressing its staffing deficiencies, the Unit must build on its progress to ensure that it has the appropriate staff to effectively investigate fraud and patient abuse and neglect. We are aware that the Attorney General and the Governor's office are working to resolve the root causes of low staffing, including inadequate salaries and slow State hiring processes.

- Performance Standard 4—Referrals:

OIG identified that the Unit was receiving few fraud referrals, which impeded its ability to effectively investigate Medicaid fraud cases. In contrast, the Unit was receiving hundreds of abuse and neglect referrals, but the vast majority of these referrals were unsuitable for investigations by the Unit. As a result, the Unit spent a considerable amount of time screening complaints that were not viable, diverting time and resources from viable cases.

To improve its referrals, the Hawaii MFCU has taken several steps since June 2026. The MFCU initiated multiple meetings with referral sources, including Special Investigations Unit staff from Medicaid managed care plans. The MFCU Director provided training to staff from the Hawaii Long-Term Care Ombudsman Program about making patient abuse or neglect referrals to the Unit. The Unit established a Referral Intake Team that has been able to triage referrals effectively. Finally, the MFCU established a Data Mining Team that met with the State Medicaid Program Integrity Unit to identify the methods of coordination between the Unit and the Medicaid agency for data mining activities, as is required by regulation.

To ensure that this progress improves the quantity and quality of its referrals for fraud and patient abuse and neglect, the Unit must track and report the number and percentage of the referrals from each referral source over the next quarter and report that information to OIG.

- Performance Standard 5—Case Progression:

OIG determined that the Hawaii Unit was not making reasonable, timely progression on investigations. OIG recommended reducing the number of active investigations to no more than 10 cases per investigator, prioritizing current criminal fraud investigations, modifying the MFCU's periodic supervisory review timeline to improve supervision and support, and implementing formal investigation plans for all cases.

The MFCU has implemented each of the recommendations. OI agents supporting the Unit reported that the new intake meetings are reducing caseloads and helping close slow-moving cases. Further, the Unit has established formal joint investigation protocols for the MFCU and the OI regional team to include quarterly meetings, increased cooperation and coordination, joint Federal/State investigative protocols, and deconfliction procedures. Finally, the Unit received technical assistance from the Utah and Oregon MFCUs. The Hawaii MFCU Director and his Chief Investigator visited the Oregon MFCU for 2 days of discussions on staffing, procedures, and workflows. The Utah MFCU Director and her Chief Investigator visited the Hawaii MFCU to provide onsite assistance and best practices. Based on that engagement, the Utah MFCU Chief Investigator reported that active, appropriate investigative steps are being taken in priority cases.

To ensure that the Unit's corrective actions improve the Unit's ability to effectively make progress, the Unit must track and report the timeliness of its cases over the next quarter and report its progress to OIG.

- Performance Standard 7—Maintaining Case Information:

OIG found that Hawaii was not managing its case information effectively. To address this deficiency, the Unit's goal is to implement a new, unified case management system by September 30, 2027. The Unit's corrective action plan specified a series of interim steps to transition to a new system. The Unit has completed the first step of identifying potential case management systems and the estimated cost of implementation.

The Unit still must select a new system, obtain approval for the purchase, and implement the new system, including staff training. The Unit must continue implementing this plan to ensure that it can more effectively manage its case information.

4. Effectiveness Investigating and Prosecuting Fraud (42 CFR § 1007.17(c)(4)): The Unit has made progress to improve its use of resources to effectively investigate and prosecute fraud by bringing cases to indictments and increasing civil recoveries from fraud cases.

- *Indictments*: The Unit had two fraud indictments in the past 4 months, one in June and the other in August. The Unit anticipates three more indictments by the end of calendar

year 2026. These indictment figures demonstrate the Unit's commitment to more effectively investigate and prosecute health care fraud. The expected five fraud indictments in 6 months are an increase from its results in recent years. In the last 5 years (2021–2025), the Hawaii MFCU obtained only one indictment.

- *Convictions:* The recent indictments are in active prosecution. As a result, the Unit will have zero fraud convictions in FY 2026, as it did in FY 2025.
- *Civil recoveries:* In FY 2026, the Unit obtained \$1,887,923 in civil fraud recoveries. This is an increase from FY 2025, when the Unit obtained only \$134,352. Additionally, more than half of the FY 2026 civil recoveries were from local civil settlements as opposed to global settlements.

These data points indicate progress toward recertification. However, to ensure that this progress is lasting and sustainable, OIG seeks additional data on these categories, which OIG will review on a monthly basis for the next quarter.

5. Effectiveness Investigating and Prosecuting Patient Abuse or Neglect (42 CFR § 1007.17(c)(5)): The Unit has made progress to improve its use of resources to effectively investigate and prosecute abuse and neglect of residents in health care facilities and board and care facilities, as well as Medicaid enrollees in noninstitutional or other settings.

- *Indictments:* In FY 2026, the Unit obtained two patient abuse or neglect indictments. The Unit anticipates obtaining two more indictments by the end of calendar year 2026. These indictment figures demonstrate the Unit's commitment to more effectively investigate and prosecute patient abuse and neglect. The expected four indictments in FY 2026 are an increase from results in recent years. In the last 5 years (FYs 2021–2025), the Hawaii MFCU obtained zero patient abuse or neglect indictments.
- *Convictions:* The Unit obtained one patient abuse or neglect conviction in April 2026. The other recent indictment is in active prosecution. The conviction is an early indicator of progress because the Unit did not obtain a patient abuse or neglect conviction in the last 5 years (FYs 2021–2025).

Again, these data points indicate progress toward recertification. OIG seeks another quarter of additional data to address the recertification. However, to ensure that this progress is lasting and sustainable, OIG seeks additional data on these categories, which OIG will review on a monthly basis for the next quarter.

Effect of Continued Denial of Recertification

Pursuant to SSA §§ 1903(a)(6) and (q) and 42 CFR § 1007.19(d)(1), reimbursement is allowable under the MFCU grant program only if a Unit has been certified and recertified by OIG. As a result of the continued denial of recertification, effective June 4, 2026, reimbursement for costs attributable to the specific responsibilities and functions set out in 42 CFR part 1007 are not allowable and will not be reimbursed. The Hawaii MFCU Federal grant remains suspended because the Unit has not remediated concerns that formed the basis of the suspension initially

implemented on June 4, 2026. Additionally, the Unit will not be able to draw down FY 2027 grant funds until it is recertified.

Corrective Actions Required To Achieve Recertification

To be recertified, the Unit must demonstrate additional and sustained progress under the Unit's June 5, 2026, corrective action plan. The Unit must also submit monthly progress reports to OIG. OIG will assess the Unit's continued progress under its corrective action plan to ensure that the Unit is effectively using its resources to investigate and prosecute Medicaid fraud and patient abuse or neglect.

Response to Request for Reconsideration

OIG continues to hold its final decision in abeyance in response to the Hawaii MFCU's request for reconsideration. This will allow the Unit to add to its good progress made in recent weeks and to continue making progress under its corrective action plan and will allow OIG additional time to review progress reports to ensure that the Unit has made lasting and sustained progress. If the MFCU demonstrates that it has complied with the terms and conditions of its grant award, through its commitment to effectively fighting Medicaid fraud and protecting Medicaid patients from abuse and neglect, OIG may grant the Unit's request for reconsideration, which could authorize funding for allowable costs incurred by the Unit since the initial denial of recertification.

If you have any questions regarding your Unit's continued recertification denial, please call me at (202) 619-3148.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. March Bell", with a stylized flourish at the end.

T. March Bell
Inspector General