



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



October 1, 2026

Attorney General Letitia James
Office of the New York Attorney General
The Capitol
Albany, NY 12224-0341

Director Amy Held
Medicaid Fraud Control Unit
Office of the New York Attorney General
28 Liberty Street, 13th Floor
New York, NY 10005

Dear Attorney General James and Director Held:

The New York 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 New York MFCU show promise for future progress. OIG also recognizes that your letter dated September 29, 2026, indicates that additional progress has been made in the last few days. Against the backdrop of multiple years of poor performance, however, 3 months of improvement is not enough to assure OIG that the New York 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 New York MFCU's denial of recertification.

This letter serves as written notice and explanation of OIG's determination that the New York MFCU has not fully remediated the concerns that formed the basis of the denial of recertification and suspension of the New York MFCU grant, as described in OIG's June 30, 2026, letter. Consistent with OIG's June 30, 2026, letter, the New York 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 New York MFCU

OIG determined that the New York 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 30, 2026, OIG sent a letter denying the New York MFCU's recertification request submitted on February 27, 2026, and, based on the determination to deny the MFCU's recertification application, OIG suspended its Federal grant effective July 1, 2026, extending through September 30, 2026. To regain certification, the New York MFCU had to take corrective action in several areas—staffing, referrals, case progression, and cooperation

with Federal partners. Specifically, for each of these areas the MFCU was required to develop a corrective action plan, approved by OIG, and demonstrate significant progress toward implementing the plan. The June 30, 2026, recertification denial letter also provided the New York MFCU the opportunity to request reconsideration of the denial. The New York MFCU submitted its request for reconsideration on July 29, 2026.

The New York MFCU submitted a letter on September 29, 2026, documenting the progress it 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 July 29, 2026, request for reconsideration, including staffing challenges the Unit faced and the Unit's strategic decision to focus on certain types of civil fraud cases. The Unit also noted its contributions to the June 24, 2026, Federal Health Care Fraud Takedown and other MFCU global cases. Finally, the Unit provided additional case data not previously known to OIG that included case outcomes from joint investigations and prosecutions that the MFCU conducted with Federal partners that the Unit had not reported in its FY 2025 annual statistical report. OIG has considered all of this information and all other information submitted by the Unit and concludes that in each instance, the New York 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 New York 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 30, 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 New York MFCU generally complied with applicable laws and regulations.

2. Compliance With Policy Transmittals (42 CFR § 1007.17(c)(2)): The New York 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 New York 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's professional staff mix "has not enabled the New York MFCU to effectively investigate and prosecute fraud or patient abuse and neglect cases" and stated that the Unit must reassess its staffing approach to facilitate effective performance. The Unit's July 29, 2026, corrective action plan addresses the identified concerns by specifying

the staff positions that it will fill and the related timeframes. The plan to fill 22 of 35 staff positions with detectives signals a new staffing approach that will rebalance the MFCU's staffing mix consistent with OIG's recommendations. The Unit provided progress reports in August and September 2026, confirming that the Unit has continued to address staffing concerns.

Although the Unit's progress report updates demonstrate an aggressive and robust staffing plan to recruit and hire staff with the appropriate skill sets, the New York MFCU has not yet achieved the objectives of filling those positions and maintaining reasonable staff levels.

- Performance Standard 4—Referrals:

OIG identified that the Unit reported a low number of viable referrals from New York Medicaid managed care organizations (MCOs), despite the Unit's ongoing efforts to improve the quality and timeliness of MCO referrals. OIG found that the MFCU and the New York State Medicaid Program Integrity Unit (PIU) must do more to ensure that New York Medicaid MCOs are taking fraud seriously and fulfilling their obligations to work with the MFCU. The Unit's corrective action plan addresses the identified concerns.

Since July 2026, the Unit has made progress to increase engagement with MCOs. The Unit established monthly meetings with MCOs. Two of those meetings have happened, with more than 90 participants from more than 20 MCOs attending the first meeting. The Unit developed plans for cross-training regarding the aspects of quality fraud referrals. The Unit created an MCO coordinator position within the MFCU to promote and monitor MCO referrals. The Unit updated its case tracking system to improve monitoring of MCO referrals.

The Unit's progress report updates list promising steps toward fully implementing a referral plan to ensure that the Unit receives an adequate volume and quality of referrals. However, additional data is necessary to assess the extent to which implementation of the referral plan is achieving the intended results of increasing the volume and quality of referrals.

- Performance Standard 5—Case Progression:

OIG determined that the MFCU is not effectively managing its case progression, as evidenced by the relatively high percentage of open cases that are more than 3 years old, the Unit's self-reported backlog of cases, and the relatively high percentage of referrals from the PIU that remained in "pending" status for 2 years or more.

The Unit's corrective action plan addresses the identified case progression concerns. The MFCU has made changes to its case tracking system and procedures manual to address OIG's recommendations. The Unit Director reviewed a report of all cases open for more than 3 years to ensure that matters were closed, as appropriate. As a result, the Unit has reduced the percentage of cases open longer than 3 years from 34 percent to 24 percent.

The Unit's reported activities and results, such as those listed under the *Time-Tracker Application*, *Strategy to Increase Indictments* and *Administrative Case Progression System Enhancements*, indicate substantial progress toward implementing its case progression plan. However, additional metrics and data are necessary to assess the extent to which implementation of the case progression plan is achieving reasonable case progression and the completion of cases within an appropriate timeframe based on the complexity of the cases.

- Performance Standard 8—Cooperation:

OIG determined that the Unit's cooperation with OIG must be improved to help it effectively combat fraud in the massive New York Medicaid program. OIG's Office of Investigations (OI) recommended that the MFCU jointly investigate with OI more fraud cases that have both Medicaid and Medicare exposure and improve the speed of communication with OI.

The Unit's corrective action plan and subsequent actions address the identified cooperation concerns. The MFCU continues to participate in a monthly meeting with OIG leadership and has added a second monthly meeting. The first meeting was held on July 27, 2026. The Unit agreed to coordinate and assist OI in several health care fraud task forces. The MFCU participated in the National Health Care Fraud Takedown and currently has 17 active joint criminal investigations with Federal partners.

The Unit's reported activities indicate good progress toward implementing its cooperation plan, such as its participation in the Fraud Task Force, and continual coordination with OIG and other Federal partners on ongoing investigations. However, additional metrics and data are necessary to assess the extent to which implementation of the cooperation plan results in a sustained cooperative relationship with OIG and other Federal partners.

4. Effectiveness Investigating and Prosecuting Fraud (42 CFR § 1007.17(c)(4)): OIG determined that the Unit is not effectively prosecuting criminal fraud and that the MFCU ranked last among similarly situated Units in fraud convictions for the past 5 Federal fiscal years. OIG found that one reason for these results was a deliberate choice by MFCU leadership to focus on civil fraud cases, which did produce successful civil outcomes. OIG found that the Unit's focus on civil fraud cases compromised the Unit's ability to effectively investigate and prosecute criminal health care fraud.

To address the relative lack of criminal case outcomes the Unit updated its strategic plan to include the express expectation that the Unit will expand its case mix of investigations of fraud and patient abuse or neglect. The MFCU expects that its strategic reorientation will increase criminal fraud indictments. The current case outcomes in FY 2026 demonstrate that the Unit is making progress in using its resources effectively to investigate and prosecute provider fraud by bringing cases to indictments and achieving a significant increase in recoveries from fraud cases.

- *Indictments:* In FY 2026, the Unit obtained 50 fraud indictments, including obtaining 30 indictments since July 1, 2026. The Unit anticipates seven more indictments by the end of calendar year 2026. This is an increase from the seven fraud indictments the Unit obtained in FY 2025.

- *Convictions:* In FY 2026, the Unit obtained nine fraud convictions, including five fraud convictions since July 1, 2026. The Unit reported 25 fraud convictions in FY 2025. The recent indictments are progressing through the legal system.
- *Criminal Recoveries:* The MFCU has obtained \$19.8 million in recoveries from criminal cases in FY 2026, up from \$1.7 million in criminal recoveries for FY 2025.

These data points indicate good 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)): OIG determined that the Unit is not effectively prosecuting patient abuse or neglect and that the MFCU ranked last among similarly situated Units in patient abuse or neglect convictions for the past 5 fiscal years.

The Unit's updated strategic plan refocuses the Unit to more effectively investigate and prosecute patient abuse or neglect cases, as well as criminal fraud cases. The plan indicates that the MFCU will expand its case mix of investigations to include additional types of single-incident patient abuse and neglect crimes. The Unit's outcomes in FY 2026, so far, demonstrate that the Unit has made progress in using its resources more effectively to 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, by bringing cases to indictments and demonstrating an increase in recoveries.

- *Indictments:* In FY 2026, the Unit obtained nine indictments, all of them since July 1, 2026. The Unit anticipates at least one indictment, and likely several more, by the end of calendar year 2026. In comparison, the Unit had two patient abuse or neglect indictments in FY 2025.
- *Convictions:* The Unit had four convictions in FY 2026, including three convictions since July 1, 2026. The Unit had one patient abuse or neglect conviction in FY 2025.
- *Civil Recoveries:* The Unit obtained \$126.3 million in civil fraud recoveries in FY 2026, up from \$108.8 million in FY 2025. The Unit anticipates total civil recoveries of more than \$169.6 million by the end of FY 2026.
- *Total Civil and Criminal Recoveries:* The Unit has total recoveries (i.e., civil and criminal) of more than \$146 million to date in FY 2026. The Unit anticipates total civil recoveries of more than \$169.6 million by the end of FY 2026 and total criminal recoveries of more than \$189.2 million by the end of calendar year 2026. The Unit's total recoveries were \$110 million in FY 2025.

Again, these data points indicate good 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.

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 July 1, 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 New York MFCU Federal grant remains suspended because the Unit has not remediated concerns that formed the basis of the suspension initially implemented on July 1, 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 July 29, 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 criminal Medicaid fraud cases and Medicaid patient abuse or neglect cases.

Response to Request for Reconsideration

OIG continues to hold its final decision in abeyance in response to the New York 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 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,



T. March Bell
Inspector General