

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

Federal regulations effective July 1, 2011, prohibit Medicaid payments for services related to provider-preventable conditions (PPCs). The Centers for Medicare & Medicaid Services delayed its enforcement of the regulations until July 1, 2012, to allow States time to develop and implement new payment policies. This review is part of a series of reviews to determine whether the States ensured that their Medicaid managed-care organizations (MCOs) complied with these regulations for inpatient services.

Our objective was to determine whether Massachusetts ensured that its MCOs complied with Federal and State requirements prohibiting payments to providers for inpatient hospital services related to treating certain PPCs.

How OIG Did This Review

We obtained an understanding of the monitoring activities the State agency performed to ensure that the MCOs complied with Federal and State requirements and their managed-care contracts relating to the nonpayment of PPCs. From July 2012 to June 2014, the State agency contracted with five MCOs to provide services to Medicaid beneficiaries. We reviewed Medicaid encounter data from this time period from three of the five MCOs to identify providers' paid claims that contained at least one secondary diagnosis code for a PPC and that had a present on admission (POA) code indicating that the condition was not present on admission or did not have a POA code.

Massachusetts Did Not Ensure Its Managed-Care Organizations Complied With Requirements Prohibiting Medicaid Payments for Services Related to Provider-Preventable Conditions

What OIG Found

Massachusetts did not ensure its MCOs complied with Federal and State requirements prohibiting Medicaid payments to providers for inpatient hospital services related to treating certain PPCs. PPCs are certain reasonably preventable conditions caused by medical accidents or errors in a healthcare setting. For our audit period, we identified that MCOs paid providers approximately \$10 million for 533 claims that contained PPCs. Massachusetts' internal controls were not adequate to ensure that its MCOs complied with Federal and State requirements. For example, the State did not follow up adequately with the MCOs to determine why POA codes were missing or whether the payments made for the related claims complied with Federal and State requirements. In addition, the MCOs did not have policies or procedures to identify PPCs on claims for inpatient hospital services or determine whether payments for claims containing PPCs should have been reduced.

As a result, the unallowable portion of the \$10 million identified for our audit period was included in the calculation of capitation payment rates for State fiscal years 2015 and 2016.

What OIG Recommends

We made several recommendations to Massachusetts, including (1) work with the MCOs to determine the portion of the \$10 million that was unallowable for claims containing PPCs and its impact on current and future capitation payment rates; (2) enforce the requirement in its managed-care contracts that makes MCO compliance with the PPC provisions a condition of their payment and includes the specific means to recoup funds from the MCOs when such contract provisions and Federal and State requirements are not met, thereby resulting in potential cost savings; (3) enforce the requirement in its managed-care contracts that allows intermediate sanctions to be imposed upon the MCO for failure to comply with applicable Federal or State statutory or regulatory requirements; and (4) require the MCOs to implement internal controls, and other procedural recommendations.

In written comments on our draft report, Massachusetts said it will work with the MCOs to further review the 533 claims and to improve its MCOs' data, reporting, and related processes. The State did not address four of our recommendations and disagreed with the amount of our finding and its impact on future capitation rates.