

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 Rhode Island 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 2015, the State agency contracted with two MCOs to provide services to Medicaid beneficiaries. We reviewed Medicaid encounter data from the two 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.

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

What **OIG** Found

Rhode Island 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 health care setting. For our audit period, we identified that MCOs paid providers approximately \$3,968,040 for 241 claims that contained PPCs. Rhode Island's internal controls were not adequate to ensure that its MCOs complied with Federal and State requirements. For instance, the State agency did not follow up 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 \$4 million identified for our audit period was included in the capitation payment rates for State fiscal years 2017 and 2018.

What **OIG** Recommends and State Agency Comments

We made several recommendations to the State agency, including (1) work with the MCOs to determine the portion of the \$4 million that was unallowable for claims containing PPCs and its impact on current and future capitation payment rates; (2) include a clause in its managed-care contracts with the MCOs that would allow the State agency to recoup funds from the MCOs when contract provisions and Federal and State requirements are not met, thereby resulting in potential cost savings; and (3) require the MCOs to implement internal controls to prohibit payments for inpatient hospital services related to treating PPCs, and other procedural recommendations.

In written comments to our draft, the State agency concurred with four of our six recommendations and described the actions that it planned to take to address them. Although the State agency did not concur with two of our recommendations, it did describe how it plans to take action related to them.