

## Report in Brief

Date: December 2022

Report No. A-03-20-00201

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



### Why OIG Did This Audit

OIG has identified longstanding challenges, including insufficient oversight and limited access to specialists, that may reduce the quality of health care services provided to Medicaid beneficiaries. The Senate Special Committee on Aging requested that OIG conduct a review of the Medicaid managed care organization (MCO) industry to determine whether these companies are meeting their obligations to serve children, older adults, and people with disabilities and their families. In addition, several articles have highlighted concerns related to the Medicaid managed care program and its oversight.

Our objective was to determine whether Keystone First HealthChoices complied with Federal and State requirements when it denied requested medical services and items, prescription drugs, and dental procedures that required prior authorization.

### How OIG Did This Audit

During 2018 and 2019, Keystone First denied 136,022 physical health service requests that required a prior authorization. Our audit covered 2,482 denied pediatric skilled nursing requests and 1,702 dental, radiology, pharmacy, and medical denials overturned by Keystone First during the appeals process. We selected and reviewed a judgmental sample of 100 denied service requests that required a prior authorization to determine whether they complied with Federal and State requirements.

## Keystone First Should Improve Its Procedures for Reviewing Service Requests That Require Prior Authorization

### What OIG Found

Keystone First did not comply with Federal and State requirements when denying 76 of the sampled denied service requests. Specifically, Keystone First should not have denied the overnight care portion of 10 denied sampled pediatric skilled nursing service requests on the basis that it had not received work or school verification documentation for the caregiver. For 72 denied service requests, Keystone First's denial letter, based on Pennsylvania's required form, did not inform beneficiaries of their right to request a State fair hearing after exhausting the MCO's appeals process.

Denying overnight care that should be approved could place the health and safety of the beneficiary at risk. If beneficiaries do not receive information about their right to request a State fair hearing, they may not have the information needed to enable them to understand the totality of the appeals process and their rights and options within that process.

### What OIG Recommends and Keystone First and State Agency Comments

We recommend that Keystone First coordinate with Pennsylvania to: (1) update Keystone First's administrative process to require that medical directors assess whether overnight care requests meet the medical necessity requirement, even if some documentation is missing; (2) review all pediatric skilled nursing service requests for which overnight care was completely denied and determine whether overnight care requests meet the medical necessity requirement; and (3) implement a revised initial denial notice to explain that a beneficiary has the right to request a State fair hearing after exhausting the MCO's appeals process. We also recommend that Pennsylvania revise its denial notice template. The full recommendations are in the report.

In written comments on our draft report, Keystone First stated that it concurred with the intent of all three recommendations addressed to it. Pennsylvania also concurred with the recommendation addressed to it and concurred with the first and third recommendations addressed to Keystone First but did not concur with the second recommendation due, in part, to a COVID-19 waiver. Both Keystone First and Pennsylvania described corrective actions that they have taken and plan to take in response to our recommendations. We believe that any new requests for pediatric skilled nursing services not covered by the COVID-19 waiver should be reviewed.