

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 treating 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 of States to determine whether the States ensured that their Medicaid managed-care organizations (MCOs) complied with these regulations for inpatient hospital services.

Our objective was to determine whether the Texas Health & Human Services Commission 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 Texas performed to ensure that the MCOs complied with Federal and State requirements and their managed-care contracts relating to the nonpayment of PPCs. We also reviewed Medicaid encounter data from 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 code indicating that the condition was not present on admission.

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

What OIG Found

Texas did not ensure that its MCOs complied with Federal and State requirements prohibiting payments to providers for inpatient hospital services related to treating certain PPCs. For our audit period, we identified Medicaid claims totaling \$29.4 million that contained PPCs for five MCOs. Of this amount, we determined that claims totaling \$12.7 million were in compliance with Federal and State regulations regarding nonpayment of PPCs. However, claims totaling \$16.7 million were not in compliance.

Texas' internal controls were not adequate to ensure that its MCOs complied with Federal and State requirements. Specifically, Texas (1) did not have policies and procedures to determine whether its MCOs complied with Federal and State requirements and provisions of the managed-care contract relating to the nonpayment of PPCs and (2) did not ensure that the MCOs' payment rates were based only on services that were covered in the State plan.

What OIG Recommends and Texas' Comments

We recommended that Texas work with the five MCOs to determine what portion of the \$16.7 million is unallowable for Federal Medicaid reimbursement and that portion's impact on current- and future-year capitation payment rates. We also made procedural recommendations to Texas that it strengthen its monitoring of all MCOs to ensure compliance with Federal and State requirements and its managed-care contracts relating to the nonpayment of PPCs. The detailed recommendations are in the body of the report.

Texas agreed to implement the first six of our recommendations. Regarding our last recommendation, Texas stated it would review relevant contract provisions to determine whether changes are needed to enforce MCO compliance with Federal PPC claims processing requirements.