

Report in Brief

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Why OIG Did This Audit

Delivery System Reform Incentive Payment (DSRIP) Program payments are incentive payments made to hospitals and other providers that develop programs or strategies to enhance access to health care, increase the quality and cost-effectiveness of care, and increase the health of patients and families served. These incentive payments have significantly increased funding to providers for their efforts related to the quality of services. Texas made DSRIP Program payments totaling almost \$10 billion for 5 years.

Our objective was to determine whether Texas used permissible funds as the State share of DSRIP Program payments.

How OIG Did This Audit

Our audit covered \$189.3 million in funds used as the State share of \$445.9 million in total DSRIP Program payments made to three providers for December 12, 2011, through September 30, 2016. We traced the flow of DSRIP-related transactions to financial records, compared contracts that an intergovernmental transfer (IGT) entity managed to the same contracts assumed by one of the providers, and calculated the Federal share that Texas received because of impermissible provider-related donations.

Texas Relied on Impermissible Provider-Related Donations To Fund the State Share of the Medicaid Delivery System Reform Incentive Payment Program

What OIG Found

Of the \$189.3 million in funds that Texas used as the State share of DSRIP Program payments, \$146.6 million was funded through impermissible provider-related donations that did not meet Federal requirements. Those funds were derived from impermissible provider-related donations because:

- the providers made donations that benefited the IGT entity,
- the funds the IGT entity transferred resulted from those donations, and
- the providers' donations were part of a hold-harmless practice.

Texas did not decrease its Medicaid expenditures by the \$146.6 million as required under Federal requirements. As a result, Texas inappropriately received \$83.8 million in Federal funds.

What OIG Recommends and Texas' Comments

We recommend that Texas: (1) refund the \$83.8 million it inappropriately received because it used IGTs derived from impermissible provider-related donations as the State share of DSRIP Program payments; (2) provide its IGT entities with guidance about arrangements that may result in impermissible provider-related donations, such as those outlined in the Centers for Medicare & Medicaid Services' (CMS's) clarifying letter; and (3) request that its IGT entities disclose whether similar arrangements exist and provide Texas with action plans on ending the arrangements.

Texas concurred with our third recommendation to the extent that it contemplates identifying arrangements that resemble those outlined in a Departmental Appeals Board decision and provided information on actions it had taken related to that recommendation. Texas did not concur with our first and second recommendations because of the reliance we placed on CMS and judicial determinations, which are currently under appeal by Texas. After review and consideration of Texas' comments, we maintain that our finding and recommendations are valid because Texas' impermissible provider-related donations were in violation of Federal regulations that applied during the audit period.