

## Report in Brief

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Report No. A-06-18-07001

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



### Why OIG Did This Audit

In September 2017, Texas began making incentive payments to nursing facilities under its Quality Incentive Payment Program (QIPP). The purpose of QIPP is to encourage nursing facilities to improve the quality and innovation of their services. Improvement is based on several quality measures that are collected by the Centers for Medicare & Medicaid Services (CMS). Texas estimated that the total QIPP expenditures would be about \$2.6 billion for Federal fiscal year (FY) 2018 through FY 2022. The Social Security Act requires States to have methods and procedures to assure that Medicaid payments are consistent with efficiency, economy, and quality of care.

Our objective was to provide information about QIPP that CMS can use to determine whether it promotes economy and efficiency in the Medicaid program.

### How OIG Did This Audit

We reviewed the flow of QIPP funds totaling \$193.7 million (\$110 million Federal share) during the first 6 months of the program (September 2017 through February 2018). Our audit included an analysis of bank and accounting records from a judgmental sample of 10 nursing facilities participating in QIPP. We also reviewed the CMS Five-Star Quality Ratings for nursing facilities that participated in QIPP to identify trends in the quality of nursing facility care.

### Aspects of Texas' Quality Incentive Payment Program Raise Questions About Its Ability To Promote Economy and Efficiency in the Medicaid Program

#### What OIG Found

Certain aspects of QIPP raise questions about its ability to promote economy and efficiency in Medicaid. Specifically: (1) nursing facilities received less than half of the earned incentive payments; (2) nursing facilities participating in QIPP generally rated below average in overall quality; (3) nursing facilities that declined in performance continued to receive quality improvement incentive payments; and (4) two local government entities participating in QIPP funded \$1.3 million (\$737,944 Federal share) of the non-Federal share of QIPP payments through intergovernmental transfers (IGTs) financed by means of debt instruments.

QIPP provides some incentives for nursing facilities to improve the quality of resident care. However, the results of our audit suggest that further analysis of the program is warranted.

#### What OIG Recommends

We recommend that CMS: (1) work with Texas to determine whether the source of IGTs and the practice of using debt instruments to fund the non-Federal share of QIPP payments meets program objectives and promotes economy and efficiency in Medicaid; and (2) reevaluate Texas' QIPP to ensure that it operates in a manner that meets program objectives while promoting economy and efficiency in Medicaid.

Texas did not concur with our first recommendation and stated that there is no CMS regulation or policy and no legal basis or precedent for our position that IGTs were from an impermissible source. While we acknowledge that Federal rules do not clearly indicate whether loans meet the definition of a permissible source for an IGT, we continue to have concerns that debt instruments, particularly when secured to ensure sufficient IGT funds, may not meet program objectives. And given the impact that the use of debt instruments had on the timing of the nursing facilities receiving any of the earned incentive payments, we have concerns that the nursing facilities' ability to make improvements in quality could be impacted. Texas did concur with our second recommendation.

CMS concurred with our first recommendation, implied agreement with our second recommendation, and outlined actions it has taken and plans to take to address our findings and recommendations.