



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region IX  
90 – 7<sup>th</sup> Street, Suite 3-650  
San Francisco, CA 94103

November 17, 2011

Report Number: A-09-11-02042

Bruce Goldberg, M.D.  
Director  
Oregon Health Authority  
500 Summer Street, NE  
Salem, OR 97301

Dear Dr. Goldberg:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Oregon's Internal Controls Were Substantially Adequate To Prevent Medicaid Payments to Excluded Providers*. We will forward a copy of this report to the HHS action official noted below.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-09-11-02042 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/  
Regional Inspector General  
for Audit Services

Enclosure

**HHS Action Official:**

Ms. Jackie Garner  
Consortium Administrator  
Consortium for Medicaid and Children's Health Operations  
Centers for Medicare & Medicaid Services  
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Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**OREGON'S INTERNAL CONTROLS  
WERE SUBSTANTIALLY ADEQUATE  
TO PREVENT MEDICAID PAYMENTS TO  
EXCLUDED PROVIDERS**



Daniel R. Levinson  
Inspector General

November 2011  
A-09-11-02042

# *Office of Inspector General*

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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# *Notices*

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## **THIS REPORT IS AVAILABLE TO THE PUBLIC**

at <http://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **INTRODUCTION**

### **BACKGROUND**

#### **Medicaid Program**

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

Pursuant to section 1905(b) of the Act, the Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the Federal medical assistance percentage, which varies depending on the State's relative per capita income. Medical assistance expenditures include expenditures for items and services furnished, ordered, or prescribed by providers enrolled in the State's Medicaid program.

#### **Excluded Providers**

Pursuant to sections 1128 and 1156 of the Act, the U.S. Department of Health and Human Services, Office of Inspector General (OIG), established a program to exclude certain individuals and entities from participation in federally funded health care programs. In this report, we refer to these individuals and entities as "excluded providers."

The effect of an exclusion is that the Medicaid program will not pay for items or services furnished, ordered, or prescribed by an excluded provider. This payment prohibition applies to the excluded person, anyone who employs or contracts with the excluded person, or any hospital or other provider where the excluded person provides services during the period of exclusion. The exclusion period applies until OIG reinstates the provider. The exclusion applies regardless of who submits the claims and applies to all administrative and management services furnished by the excluded person. There is a limited exception to exclusions for the provision of certain emergency items or services not provided in a hospital emergency room.

Federal regulations (42 CFR § 1001) specify certain bases upon which OIG may, or in some cases must, exclude providers from participation in Medicaid and other Federal health care programs. Federal regulations (42 CFR § 1002) also specify the authority of State agencies to exclude providers from participation in the Medicaid program.

#### **Excluded Provider Databases**

Two Federal databases contain information on excluded providers. OIG maintains a database called the List of Excluded Individuals/Entities (LEIE). CMS maintains a database called the Medicare Exclusion Database (MED). According to CMS State Medicaid Director

Letter #08-003, dated June 12, 2008, States should conduct searches monthly of the LEIE or the MED to identify provider exclusions and reinstatements that have occurred since the last search.

### *List of Excluded Individuals/Entities*

The LEIE contains information on excluded providers in the Medicare, Medicaid, and other Federal health care programs. The LEIE is available on OIG's Web site in two formats: an online search engine and a downloadable version of the database. The online search engine identifies currently excluded providers. When a match is identified, the user can verify the accuracy of the match using the Social Security number (SSN) or Employer Identification Number (EIN). The user may also compare information in the downloadable version of the database with information in State agency provider enrollment files. Unlike the online search engine, however, the downloadable version of the database does not contain SSNs or EINs.

### *Medicare Exclusion Database*

In 2002, CMS developed the MED to collect information that aided in ensuring that no payments are made to excluded providers for services furnished during a provider's exclusion period. Two information sources used to populate the MED are the LEIE and Social Security Administration data. MED files contain information on each excluded provider, including name, SSN, EIN, Unique Physician Identification Number (UPIN), and National Provider Identifier (NPI). CMS provides MED files to State Medicaid agencies every month.<sup>1</sup>

## **Oregon Medicaid Program**

The Oregon Health Authority (State agency) is the single State agency responsible for administration of the Medicaid program. Within the State agency, three divisions are responsible for enrolling new Medicaid providers, maintaining provider records, and paying Medicaid claims. The three divisions use five computerized payment and information systems to process Medicaid claims. The State agency develops and maintains internal controls to administer the Medicaid program and uses both the LEIE and the MED to identify excluded providers.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the State agency's internal controls were adequate to prevent Medicaid payments for items and services furnished, ordered, or prescribed by excluded providers for the period October 1, 2009, through September 30, 2010.

### **Scope**

We reviewed approximately 4.1 million Medicaid claims paid by the State agency, totaling \$1.3 billion, with dates of service from October 1, 2009, through September 30, 2010. We did not review the overall internal control structure of the State agency or the Medicaid program

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<sup>1</sup> As of July 2011, MED files are available only as a download from a secure CMS Web site.

because our objective did not require us to do so. Rather, we limited our review to the State agency's internal controls to prevent the payment of Medicaid claims associated with excluded providers.

We performed fieldwork at the State agency in Salem, Oregon, from May to November 2011.

## **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- reviewed State agency policies, procedures, and guidance related to prevention of payments to excluded providers and held discussions with State agency officials;
- reviewed the LEIE and the MED as of January 2011;<sup>2</sup>
- developed a list of providers from the State agency's paid claims databases with additional identifying information from the State agency's Medicaid provider database; and
- matched the list of providers from the State agency's paid claims database to the list of excluded providers in the MED based on SSN, NPI, EIN, and UPIN.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

## **RESULTS OF AUDIT**

The State agency's internal controls were substantially adequate to prevent Medicaid payments for items and services furnished, ordered, or prescribed by excluded providers for the period October 1, 2009, through September 30, 2010. Therefore, our report contains no recommendations.

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<sup>2</sup> We used the MED in our analysis because it contained SSNs and NPIs, which were also listed in the State agency's Medicaid provider database.