



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



APR 23 2012

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FROM: Stuart Wright */S/*
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SUBJECT: Memorandum Report: *Status of 244 Provider Audit Targets Identified Using Review Medicaid Integrity Contractor Analysis, OEI-05-10-00201*

This memorandum report is intended as an addendum to our February 2012 report, *Early Assessment of Review Medicaid Integrity Contractors* (OEI-05-10-00200), in which we identified concerns with the quality of Review Medicaid Integrity Contractor (MIC) analysis. The effect those quality concerns could have on audit outcomes served as the impetus for issuing this memorandum report. That report and this memorandum report are an early assessment of Review MICs' program integrity activity results.

SUMMARY

To identify overpayments to Medicaid providers, the Centers for Medicare & Medicaid Services (CMS) contracts with two types of MICs: Review MICs and Audit MICs. Review MICs analyze Medicaid claims data to identify providers with potential overpayments. From the resulting lists of providers, CMS selects audit targets to assign to Audit MICs.

In the report *Early Assessment of Review Medicaid Integrity Contractors* (OEI-05-10-00200), the Office of Inspector General (OIG) identified concerns with the quality of Review MIC analysis that resulted in CMS's selection of 244 providers as audit targets. This memorandum report follows those 244 audit targets and reports on the status and outcomes of audits conducted by Audit MICs. The results provide insights into whether the quality of Review MIC analysis affected findings of actual Medicaid overpayments.

Between June 2010 and January 2011, CMS assigned to Audit MICs 161 of the 244 audit targets. As of February 1, 2012, Audit MICs had completed 127 of the 161 assigned audits. Only 25 of these 127 completed audits found actual overpayments, totaling \$285,629.

BACKGROUND

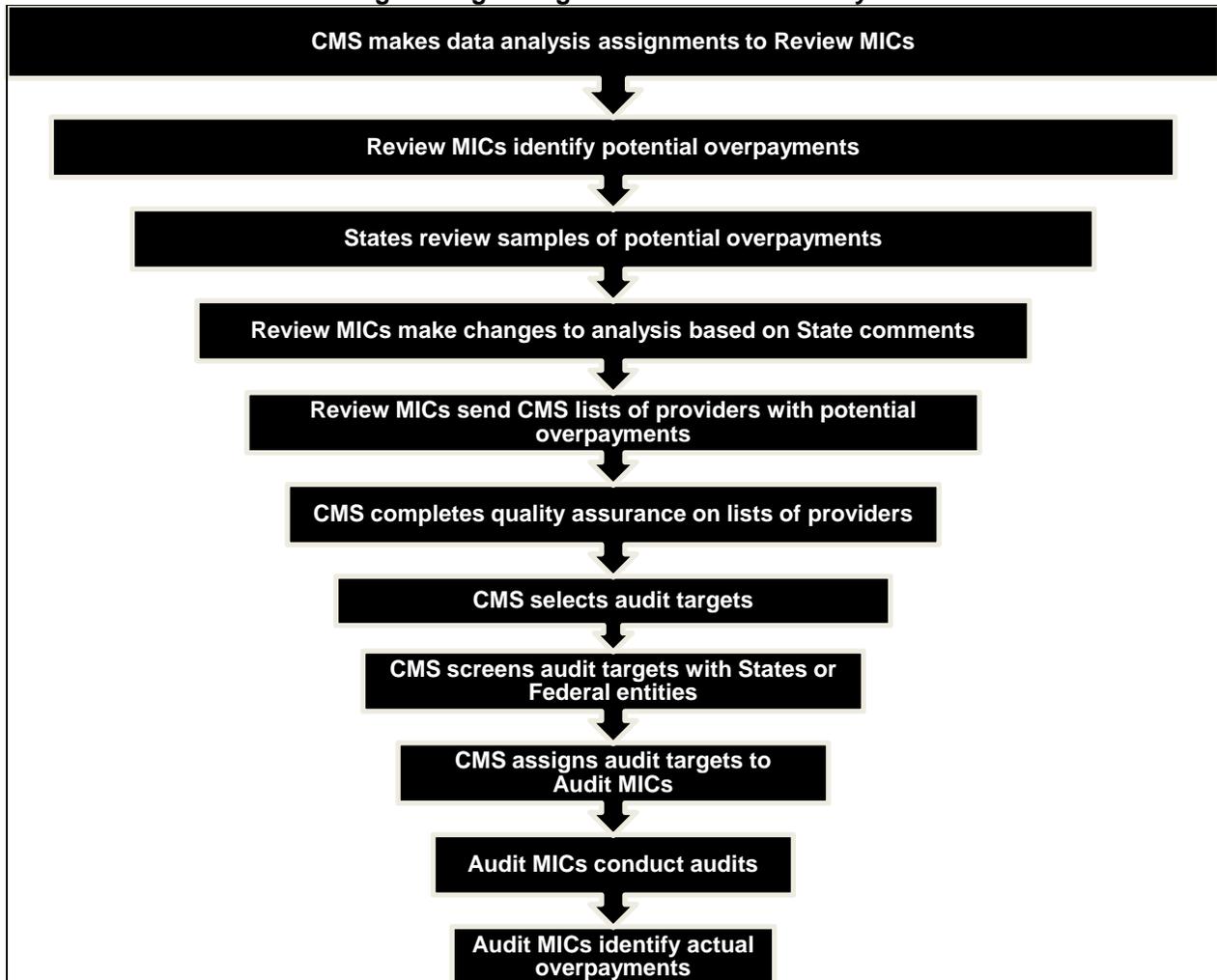
The Deficit Reduction Act (DRA) of 2005 established the Medicaid Integrity Program to fight fraud, waste, and abuse. The DRA requires CMS to contract with entities to identify overpayments to Medicaid providers. CMS contracted with two types of MICs—Review MICs and Audit MICs—to identify such overpayments.

Identification of Overpayments From Review MIC Analysis

CMS contracted with Review MICs to identify providers who potentially received Medicaid overpayments and with Audit MICs to audit these providers.

CMS makes data analysis assignments to Review MICs. Using nationally available Medicaid claims data, Review MICs identify providers who potentially received overpayments. After reviewing the analysis provided by Review MICs, CMS selects certain providers as audit targets and assigns them to Audit MICs. Audit MICs then audit these targets to determine whether the potential overpayments associated with them were overpayments. Chart 1 shows this process for identifying Medicaid overpayments.

Chart 1: Process for Audit Targets Originating From Review MIC Analysis



Source: OIG analysis of interviews with CMS, March 2012.

In addition to this traditional process, CMS may assign collaborative audits, which involve Audit and Review MICs, States, and CMS in identifying audit targets. MICs, CMS, and the States work together to identify providers with potential overpayments using each State's own Medicaid claims data. CMS then assigns these targets to Audit MICs.

Related OIG Work

OIG has issued two reports on the use of MICs to identify Medicaid overpayments for recovery by States:

- *Early Assessment of Review Medicaid Integrity Contractors* (OEI-05-10-00200). As described earlier, this February 2012 report found that CMS selected 244 providers as audit targets from 113,378 providers that Review MICs identified (from assignments made between January and June 2010) as having potential overpayments. In addition, we found that the Medicaid claims database used by Review MICs often had missing or inaccurate data, hindering Review MICs' ability to accurately complete their data analysis assignments.
- *Early Assessment of Audit Medicaid Integrity Contractors* (OEI-05-10-00210). This March 2012 report focused on 370 different audit targets assigned to Audit MICs between January and June 2010. We found that 81 percent of reviewed audits either did not find overpayments or were unlikely to find overpayments. Most of the actual overpayments identified by Audit MICs were found through seven collaborative audits. Further, we found that Audit MICs' ability to identify overpayments was hindered because audit targets were inappropriately identified by Review MICs.

METHODOLOGY

Using CMS's tracking database, we determined whether each audit target was assigned to an Audit MIC and whether each assigned audit was completed or ongoing as of February 1, 2012. For the purposes of this review, we considered audits to be complete if they resulted in a report or were discontinued by CMS. For completed audits, we used the most recently reported estimate of actual overpayments to calculate the monetary results.

As of February 1, 2012, CMS assigned 161 of the 244 audit targets for audit. Therefore, our analysis is based on those 161 assigned audit targets. We do not have any information as to why the remaining 83 audit targets were not assigned.

Data Limitations

This memorandum report only provides information and insights on audit targets originating from Review MIC analysis. The 244 audit targets reviewed in this memorandum report were identified through the traditional process in which providers are identified by Review MICs, reviewed and selected for audit by CMS, and audited by Audit MICs. We did not review collaborative audits assigned by CMS during this period. As a result, this memorandum report does not capture the entirety of CMS's efforts to identify Medicaid overpayments. This memorandum report also does not examine the roles that CMS or Audit MICs play in the identification, assignment, or audit of providers that potentially received Medicaid overpayments.

Standards

This study was conducted in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

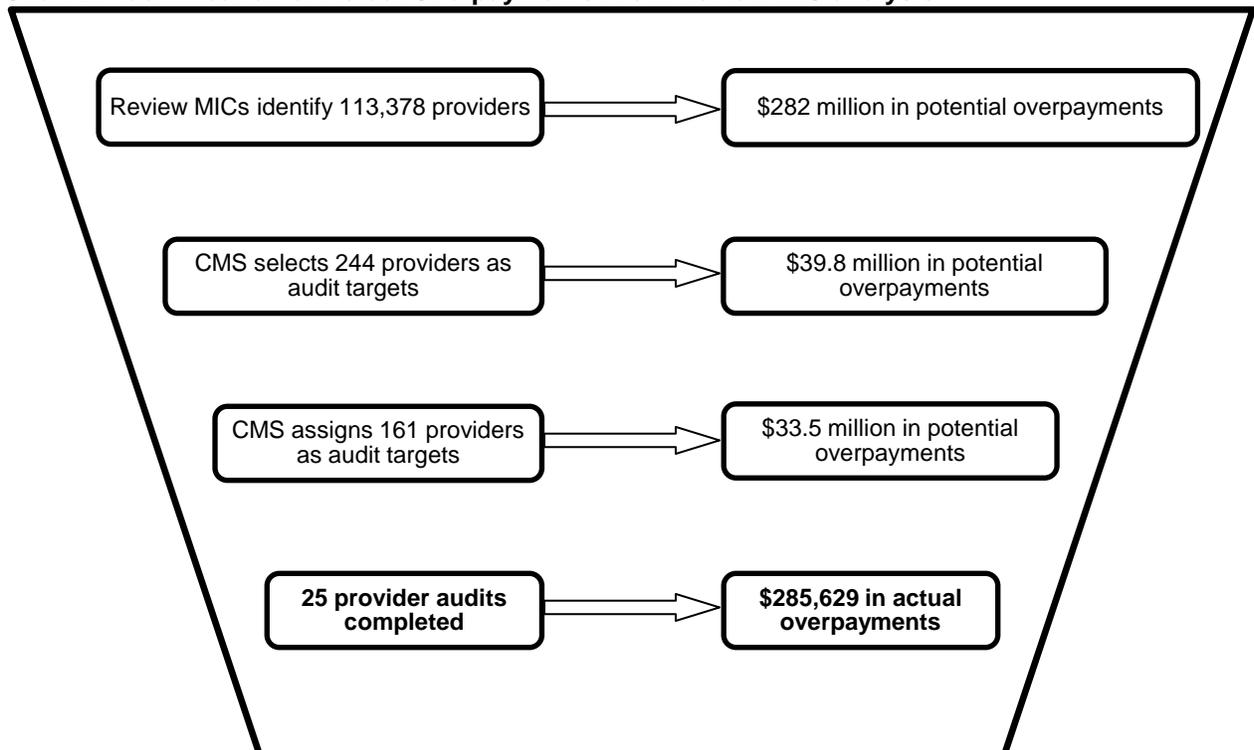
RESULTS

Audits of Providers Identified by Review MICs Found Few Overpayments

Ultimately, Review MIC analysis from assignments made between January and June 2010 led to 25 completed audits with actual overpayments, totaling \$285,629. Review MICs had initially identified 113,378 providers with potential overpayments, and CMS had reviewed these 113,378 providers and selected 244 as audit targets. CMS assigned 161 of these 244 audit targets, with \$33.5 million in potential overpayments, to Audit MICs.

As of February 1, 2012, Audit MICs had completed 127 of the 161 assigned audits of providers. An average of 10 months elapsed between the date CMS assigned these audits to Audit MICs and the date the Audit MIC reported its findings to CMS. Twenty-five of these completed audits found overpayments, totaling \$285,629. The remaining 102 completed audits found no overpayments. Thirty-four of the assigned audits had not been completed and were ongoing as of February 1, 2012. Chart 2 shows the process that resulted in the identification of \$285,629 in actual overpayments.

Chart 2: Identification of Actual Overpayments From Review MIC analysis



Source: OIG analysis of Review MIC assignments and 244 audit targets, February 2012.

CONCLUSION

The results in this memorandum report are consistent with results of previous OIG reports on Review MICs and Audit MICs. As mentioned earlier, we issued reports on Review MICs and Audit MICs in February and March 2012, respectively.¹ In the Review MIC report, we noted that missing and inaccurate data in the Medicaid claims database used by Review MICs hindered their ability to correctly identify potential overpayments, and that some assignments may not lead to recoveries. In the Audit MIC report, we documented that most audits completed prior to those identified in this memorandum report also did not identify actual overpayments, primarily due to problems with the data and with analyses conducted by Review MICs and CMS that led to poorly identified audit targets.

In each of these reports, we made a recommendation directed at improving the effectiveness of MICs and the process for identifying providers who received Medicaid overpayments. In response, CMS stated that it has several initiatives underway to improve audit target selection, including improving the quality of data that MICs can access for conducting data analysis. Additionally, CMS stated that it has redesigned its approach to audit assignments, instructing Audit MICs to focus on collaborative projects. In fact, CMS stated that it assigned more audits through the collaborative process than through the traditional process in 2011.

This memorandum report is being issued directly in final form because it contains no recommendations. Please refer to report number OEI-05-10-00201 in all correspondence.

¹ OIG, *Early Assessment of Review Medicaid Integrity Contractors* (OEI-05-10-00200), February 2012, and *Early Assessment of Audit Medicaid Integrity Contractors* (OEI-05-10-00210), March 2012.