

**Department of Health and Human Services  
Centers for Medicare & Medicaid Services**

**Medicaid Integrity Program  
Iowa Comprehensive Program Integrity Review  
Final Report**

**November 2008**

**Reviewers:  
Doug Colburn, Review Team Leader  
Jeff Coady  
Annette Ellis  
Hulio Griffin  
Michael Tripp**

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November 2008**

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## **INTRODUCTION**

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The Centers for Medicare and Medicaid Services' (CMS) Medicaid Integrity Group (MIG) conducted a comprehensive program integrity review of the Iowa Medicaid Program. The onsite portion of the review was conducted at the offices of the Iowa Medicaid Enterprise (IME). The MIG review team also visited the State's Medicaid Fraud Control Unit (MFCU).

This review focused on the activities of the IME, which is primarily responsible for Medicaid program integrity oversight. This report describes three effective practices, four regulatory compliance issues, and three areas of vulnerability.

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## **THE REVIEW**

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### ***Objectives of the Review***

1. Determine compliance with Federal program integrity laws and regulations;
2. Identify program vulnerabilities and effective practices;
3. Help Iowa improve its overall program integrity efforts; and
4. Consider opportunities for future technical assistance.

### ***Overview of Iowa's Medicaid Program***

The IME administers the Iowa Medicaid Program. As of the State fiscal year (SFY) ending June 30, 2007, the program served 347,488 recipients and Medicaid expenditures totaled \$2,655,026,004. The Federal medical assistance percentage for Iowa during Federal fiscal year 2007 was 61.98 percent. IME processed an average of 16.6 million claims annually in the past three SFYs. At the time of the review, IME had 49,039 enrolled providers. The State currently utilizes three different models of managed care: primary care case management (PCCM), mental health and substance abuse management, and one risk-based managed care organization (MCO). The delivery of mental health and substance abuse (MH-SA) services is considered a carve-out from fee-for-service (FFS) and risk-based managed care. Recipient enrollment in the risk-based MCO is 4,654, representing approximately one percent of the total Medicaid enrollment in Iowa. Cost data provided by the State suggest that managed care enrollees in both the MCO and the MH-SA carve-out programs account for approximately four percent of total Medicaid expenditures.

### ***Program Integrity Section***

The IME approaches program integrity through the activity of contractors whose work is overseen by State staff. Two State positions are dedicated to program integrity: the Surveillance Utilization Review Services (SURS) Unit Manager and a Program Integrity Specialist. Contractors perform the bulk of the actual program integrity functions. Each contract is the responsibility of a specific IME unit and a State employee is assigned to provide oversight and coordination. Additionally, the contractors have employees and

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managers onsite in the offices of IME. Post-payment reviews and fraud referrals are the responsibility of the SURS Unit. SURS activities are undertaken by a combination of State and contractor employees. Pre-payment reviews and the recipient lock-in program are administered by the Medical Services Unit. The provider enrollment function is located within the Provider Services Unit.

A partial exception to the contractor model is IME's Home and Community Based Services (HCBS) program. A staff person from the Iowa Department of Health Services, Fiscal Management Division performs onsite and desk reviews of providers in this program. However, post-payment reviews of HCBS providers are also performed by a contractor.

The table below presents the total number of audits and overpayment amounts collected for the last two SFYs as a result of program integrity activities.

**Table 1**

<b>SFY</b>	<b>Number of Preliminary &amp; Full Investigations</b>	<b>Number of State Administrative Actions or Sanctions</b>	<b>Amount of Overpayments Identified</b>	<b>Amounts Recouped (includes past settlement collections)</b>
2006	664	283	\$ 1,849,326.00	\$ 84,841.00
2007	285	342	\$ 742,214.00	\$ 450,365.00

The number of preliminary and full investigations includes audits conducted by IME or its contractors but does not reflect referrals to the MFCU.

### ***Methodology of the Review***

In advance of an onsite visit, the review team requested that Iowa complete a comprehensive review guide and supply documentation to support its answers to the review guide. The review guide included such areas as provider enrollment, claims payment and post-payment review, managed care, surveillance and utilization review subsystem, and the MFCU. It also included a series of questions for Iowa's contracted MCO. A five-person review team reviewed the responses and materials that the State provided in advance of the onsite visit.

During the week of May 5, 2008, the MIG review team visited the offices of IME and the MFCU. The team conducted interviews with numerous IME officials, contractor staff, and the MFCU Director. To determine whether the managed care plan was complying with the contract provisions and other Federal regulations relating to program integrity, the MIG team reviewed the State's MCO contract. The team conducted in-depth interviews with representatives from the MCO and met separately with IME staff to discuss managed care oversight and monitoring in both the managed care and MH-SA carve-out programs.

***Scope and Limitations of the Review***

This review focused on the activities of IME. Iowa operates both a stand-alone State Children’s Health Insurance Program (SCHIP) and a Title XIX expansion program. That portion of Iowa’s SCHIP program operating as a Medicaid expansion program was included in this review. Because the expansion part of SCHIP operates under the same FFS billing and provider enrollment policies as Iowa’s Title XIX program, the same findings and vulnerabilities discussed in relation to the Medicaid program apply to that portion of the SCHIP program. Unless otherwise noted, IME provided the program integrity-related staffing and financial information cited in this report. For purposes of this review, the review team did not independently verify any staffing, financial, or collections information that IME provided.

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**RESULTS OF THE REVIEW**

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***Effective Practices***

The State has highlighted a practice that demonstrates its commitment to program integrity. This practice involves the effective and open communication between the agency and the MFCU.

***Cooperation with the MFCU***

The IME and MFCU have an excellent working relationship based on the memorandum of understanding (MOU), communication, and data exchange. According to information received from the State Agency after the onsite portion of this review, the MOU was revised in July 2008. Communication, both formal and informal, occurs on a frequent basis. Monthly meetings are held to exchange case updates and information. There also exists a level of familiarity that allows for frequent phone and email exchanges. Lastly, data requests by the MFCU are treated with priority by IME.

Additionally, the CMS review team identified two practices that are particularly noteworthy. CMS recognizes the State’s vigorous pursuit of recipients abusing the pharmacy benefit program. IME’s efforts control abuse while managing the health and safety of the recipient. IME also practices cost containment and secure document storage through a paperless imaging system.

***Recipient Lock-in Program***

The IME has a robust lock-in program through its contractor, Iowa Foundation for Medical Care. The program has a cost savings of approximately \$2 million annually. Recipients abusing the program are locked into a primary care physician, pharmacy, and hospital/emergency room. The lock-in program creates a safety net approach and limits the recipient’s ability to obtain drugs. The program also identifies providers who may be engaging in unsound medical practices.

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### *Paperless Records*

The IME approaches document management with a paperless office methodology. The State utilizes content management software that combines integrated document management, business process management, and records management. The software has enabled IME to retain records for an indefinite period of time.

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### *Regulatory Compliance Issues*

The State is not in compliance with Federal regulations related to required disclosure and notification activities.

#### *IME's MCO fails to capture ownership, control, and relationship information during the credentialing process.*

Under 42 CFR § 455.104(a)(1), a provider, or “disclosing entity,” that is not subject to periodic survey under § 455.104(b)(2) must disclose to the Medicaid agency, prior to enrolling, the name and address of each person with an ownership or controlling interest in the disclosing entity or in any subcontractor in which the disclosing entity has a direct or indirect ownership interest of five percent or more. Additionally, under § 455.104(a)(2), a disclosing entity must disclose whether any of the named persons is related to another as spouse, parent, child, or sibling. Moreover, under § 455.104(a)(3), there must be disclosure of the name of any other disclosing entity in which a person with an ownership or controlling interest in the disclosing entity has an ownership or controlling interest.

Coventry, IME's single risk-based MCO, does not capture information related to ownership and controlling interests in its provider credentialing forms. During an interview with Coventry, company officials indicated that this information was formerly obtained, but that the MCO ceased to collect it after a form change.

**Recommendation:** Require the MCO contractor to modify its provider credentialing forms to capture the required ownership and control information.

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#### *IME's MCO fails to require providers to disclose certain business transactions.*

The regulation at 42 CFR § 455.105 requires that, upon request, providers furnish to the State or HHS information about certain business transactions with wholly owned suppliers or any subcontractors. Coventry's provider agreements do not contain such a provision.

**Recommendation:** Require the MCO contractor to modify its provider agreement to require providers to supply the business transaction information identified in 42 CFR § 455.105.

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***IME's MCO provider enrollment applications do not capture required criminal conviction information for managing employees.***

The regulation at 42 CFR § 455.106(a) stipulates that providers must disclose to the Medicaid agency any criminal convictions related to Medicare, Medicaid, or Title XX programs at the time they apply or renew their Medicaid provider agreements or at any time on request. The regulation further requires that the Medicaid agency notify HHS-OIG within 20 working days whenever such disclosures are made.

Coventry's provider credentialing forms do not capture information related to criminal convictions of individuals with ownership and controlling interests, agents, or managing employees. During an interview, Coventry officials indicated that this information was formerly obtained but that the MCO ceased to collect it after a document change. Because Coventry is not currently collecting the information, criminal conviction disclosures from MCO-contracted providers cannot be reported to the HHS-OIG, as required by the regulation.

***Recommendation:*** Require that the MCO contractor's provider credentialing packages solicit the required criminal conviction disclosures. Develop and implement procedures to report to HHS-OIG within 20 working days any criminal conviction disclosure made during the MCO credentialing process.

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***IME's Provider Services section does not report action taken on provider applications to the HHS-OIG.***

The regulation at 42 CFR §1002.3(b)(2) and (3) requires reporting to HHS-OIG any adverse action a State takes on provider applications for participation in the program. The Provider Services section does not currently report to HHS-OIG the denial of provider applications on program integrity grounds or actions which have the effect of decertifying current Medicaid providers.

***Recommendation:*** Develop and implement procedures to report to HHS-OIG all adverse actions taken against and limits placed on provider participation in the program.

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***Vulnerabilities***

The review team identified three vulnerabilities in Iowa's program integrity practices related to deactivation of provider numbers, verification of receipt of services, and verification of provider licensure information.

***Not deactivating inactive providers as outlined in Iowa Administrative Code***

Iowa's Administrative Code at section 441 79.14(10) states, "Providers who have not submitted claims in the last 24 months will be sent a notice asking if they wish to continue participation. Providers failing to reply to the notice within 30 calendar days of

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the date on the notice will be terminated as providers. Providers who do not submit any claims in 48 months will be terminated as providers without further notification.” IME responded to the review team both in writing and during interviews that there was no established protocol for its provider enrollment contractor, Policy Studies, Inc., to terminate provider numbers for inactivity.

**Recommendations:** Establish contractual guidelines for the provider enrollment contractor that are in accordance with Iowa’s Administrative Code 441 79.14(10). Terminate providers for inactivity as required by State regulations.

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### ***Not verifying receipt of mental health and substance abuse services***

The regulation at 42 CFR § 455.20 requires that the State Medicaid agency have a method for verifying with recipients whether services billed by providers were received. While IME performs sample verifications through the use of Explanations of Medical Benefits (EOMBs) in its FFS program, IME’s contractor for mental health and substance abuse services, Magellan, is not performing any recipient verification of services. Information obtained by the MIG review team during an interview supports this finding. A review of the contract between IME and Magellan revealed that Amendment 11, section 15.8.1 requires that the contractor have a verification method in place.

**Recommendation:** Enforce the contract provision requiring that Magellan perform some form of verification of services with recipients.

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### ***Not verifying out-of-state licenses***

The IME Provider Services enrollment contractor currently requires a copy of an out-of-state provider’s license prior to enrollment. Information obtained by the MIG review team during the onsite review indicated that IME takes no action to verify the license other than a physical examination of the document. Without independent verification of licensure, the State cannot know with certainty that providers submitting applications have licenses in good standing in Iowa or any other state.

**Recommendation:** Develop and implement a process to verify that out-of-state provider licenses are currently valid and unencumbered by restrictions.

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## **CONCLUSION**

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The State of Iowa applies some effective practices that demonstrate program strengths and the State’s commitment to program integrity. These effective practices include:

- The agency’s cooperative working relationship with the MFCU
- A robust recipient lock-in program
- Utilization of a paperless office imaging system

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CMS supports the State's efforts and encourages the State to look for additional opportunities to improve overall program integrity.

However, the identification of four areas of non-compliance with Federal regulations is of concern and should be addressed immediately. In addition, three vulnerabilities were identified in this review. CMS encourages IME to closely examine each identified area of vulnerability.

It is important that these issues be rectified as soon as possible. To that end, CMS will require IME to provide a corrective action plan for each area of non-compliance within 30 calendar days from the date of the final report letter. Further, CMS will request that the State include in that plan a description of how it will address the vulnerabilities identified in this report.

The corrective action plan should address how the State of Iowa will ensure that the deficiencies will not recur. The corrective action plan should include the timeframes for each correction along with the specific steps the State expects will occur. Please provide an explanation if correcting any of the regulatory compliance issues or vulnerabilities will take more than 90 calendar days from the date of the letter. If IME has already taken action to correct compliance deficiencies or vulnerabilities, the plan should identify those corrections as well.

The Medicaid Integrity Group looks forward to working with the State of Iowa on correcting its areas of non-compliance, eliminating its areas of vulnerability, and building on its effective practices.