Department of Health and Human Services

Centers for Medicare & Medicaid Services

Medicaid Integrity Program

South Carolina Comprehensive Program Integrity Review

Final Report

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TABLE OF CONTENTS

Introduction 1

The Review 1

- Objectives of the Review 1
- Overview of South Carolina's Medicaid Program 1
- Program Integrity Section 1
- Methodology of the Review 2
- Scope and Limitations of the Review 2

Results of the Review 2

- Effective Practices 2
- Regulatory Compliance Issues 3
- Vulnerabilities 5

Conclusion 5

INTRODUCTION

The Centers for Medicare & Medicaid Services' (CMS) Medicaid Integrity Group (MIG) conducted a comprehensive program integrity review of the South Carolina Medicaid Program. The onsite portion of the review was conducted at the offices of the South Carolina Department of Health & Human Services (SCDHHS) and the MIG review team also visited the Medicaid Fraud Control Unit (MFCU).

This review focused on the activities of the SCDHHS Program Integrity (PI) Unit, which is responsible for Medicaid program integrity oversight. This report describes five effective practices, one area of vulnerability and three regulatory compliance issues in the State's program integrity operations.

THE REVIEW

Objectives of the Review

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

Overview of South Carolina's Medicaid Program

The SCDHHS administers the Medicaid Program. As of the State Fiscal Year (SFY) ending June 30, 2007, the program served 838,240 recipients, approximately 26 percent of whom were enrolled with a managed care plan. The State had 43,984 providers participating in the Medicaid program; of these, 8,766 were also enrolled in managed care. Medicaid expenditures in South Carolina for SFY 2007 totaled $4,276,015,130. In Federal fiscal year 2007, the Federal medical assistance percentage was 69.54 percent.

Program Integrity Section

The PI Unit, a division within the Bureau of Compliance and Program Review (BCPR), is the organizational component dedicated to the prevention and detection of provider fraud, abuse and overpayments. At the time of the review, the PI Unit had approximately 21 full-time equivalent staff and one division director reporting to the Bureau Chief. The table below presents the total number of investigations, sanctions, identified overpayments, and amounts recouped in the past three SFYs as a result of program integrity activities. The number of recipient investigations conducted by the State is included in the number of preliminary and full investigations in the table.

Table 1

SFY	Number of Preliminary & Full Investigations	Number of State Administrative Actions or Sanctions	Amount of Overpayments Identified	Amount of Overpayments Collected
2005	1379	368	$ 5,975,544	$ 5,949,995
2006	1543	297	$ 3,810,922	$ 2,826,706
2007	1812	342	$ 4,043,095	$ 3,447,720

Methodology of the Review

In advance of the onsite visit, the review team requested that South Carolina complete a comprehensive review guide and supply documentation in support of its answers. The review guide included such areas as provider enrollment, claims payment and post-payment review, managed care, surveillance and utilization review subsystem (SURS), and the MFCU. A five-person review team reviewed the responses and materials that the State provided in advance of the onsite visit.

During the week of August 5, 2008, the MIG review team visited the SCDHHS and MFCU offices. The team conducted interviews with numerous SCDHHS officials, as well as with staff from the State's provider enrollment contractor and the MFCU.

Scope and Limitations of the Review

This review focused on the activities of the SCDHHS PI Unit, but also considered the work of other components and contractors responsible for a range of program integrity functions, including provider enrollment, contract management, and provider training. South Carolina State Children's Health Insurance Program operates as a stand alone program under Title XXI of the Social Security Act and was, therefore, excluded from this review. Unless otherwise noted, SCDHHS 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 or financial information that SCDHHS provided.

RESULTS OF THE REVIEW

Effective Practices

The State has highlighted several practices that demonstrate its commitment to program integrity. These practices include a web-based exclusion list, organized program integrity case files, involvement in recipient fraud cases, and the use of a decision support system (DSS)/SURS.

Web-based exclusion database

SCDHHS maintains a web-based exclusion database of individuals and entities that have been excluded by the Federal government and/or the State of South Carolina.

Organization of program integrity case files
Program integrity case files are organized in a consistent manner according to program integrity guidelines. This allows for the continuity of case processing by any person within the PI Unit, a time saver for SCDHHS when there is staff turnover.

Direct involvement in recipient fraud cases
The BCPR has two law enforcement staff assigned to the Attorney General's office who work on recipient fraud. Even though these employees work exclusively in recipient fraud they also work with the MFCU and PI Unit when there is evidence of provider/recipient collusion in fraud cases. This provides an additional tool for detecting potential provider fraud.

Usage of DSS/SURS
The SURS Unit works with two contractors to develop algorithms to assist in advanced fraud analytics. SCDHHS has a library that consists of approximately 350 algorithms. These algorithms are used to identify potential cases of providers who may fall outside of the normal range. The PI Unit and SURS Unit meet bi-weekly to discuss patterns and open cases for further investigation.

Additionally, the MIG review team identified one practice that is particularly noteworthy. MIG recognizes the communication between the PI Unit, the State's managed care program area, and the managed care entities (MCE).

Effective communication between the PI Unit, the managed care program area, and MCEs
The PI Unit, the State's managed care program area, and the MCEs communicate and cooperate with each other to an unusual extent. MCEs are contractually required to list SCDHHS' fraud and abuse hotline on all managed care marketing materials for members and providers. MCEs report all instances of suspected fraud and abuse directly to the PI Unit for investigation. The managed care policy and procedure guide is a well-organized, understandable and comprehensive document that clearly delineates responsibilities between the MCEs and the State.

Regulatory Compliance Issues

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

The State's fee-for-service (FFS) enrollment process and MCE uniform credentialing application does not capture ownership and control disclosures.
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 5 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.

The SCDHHS FFS provider agreement contains only a statement requiring that the regulation be met. However, the enrollment form that must be completed does not contain space to list the names of individuals who own or have controlling interests in disclosing entities or providers or related subcontractors, their relationship, or the identity of other disclosing entities in which these individuals have an ownership or controlling interest. In addition, the MCE uniform credentialing application does not require submission of the required disclosure ownership and control information for providers.

***Recommendation*:** Collect the required disclosures for all FFS and MCE providers. Modify the FFS and MCE credentialing applications to request information required to be disclosed under 42 CFR § 455.104.

The State's MCE credentialing application form does not require disclosure of business transactions.

The regulation at 42 CFR § 455.105(b)(2) requires that, upon request, providers furnish to the State or HHS information about certain business transactions with wholly owned suppliers or any subcontractors.

South Carolina's MCE credentialing application and provider agreement do not contain a provision requiring the disclosure of the specified business transactions upon request.

Recommendation: Modify the MCE uniform credentialing application to require disclosure upon request of the information identified in 42 CFR § 455.105.

The State's FFS enrollment process and MCE uniform credentialing application does not capture criminal conviction information.

The regulation at 42 CFR § 455.106 stipulates that providers must disclose to Medicaid agencies any criminal convictions related to Medicare, Medicaid, or Title XX programs at the time they apply or renew their applications for Medicaid participation or at any time on request. The regulation further requires that the Medicaid agency notify HHS-OIG whenever such disclosures are made.

The State's FFS provider agreement contains only a statement requiring that the regulation be met. However, the FFS provider enrollment procedure does not ask for criminal conviction information related to Medicare, Medicaid, or Title XX programs for managing employees or anyone with a controlling interest. In addition, the managed care uniform credentialing application form does not solicit the required disclosures. The failure to collect required criminal conviction information prevents South Carolina from forwarding

information on providers, owners, agents and managing employees to HHS-OIG within 20 working days, as is required by the regulation.

Recommendation: Modify the FFS and MCE uniform credentialing applications to request information required to be disclosed under 42 CFR § 455.106. Refer that information to HHS-OIG as required.

Vulnerabilities

The review team identified one area of vulnerability in South Carolina's program integrity practices regarding capturing disclosure information.

Not capturing managing employee information on FFS provider enrollment and managed care credentialing applications.

Under 42 CFR § 455.101, a managing employee is defined as "a general manager, business manager, administrator, director, or other individual who exercises operational or managerial control over, or who directly or indirectly conducts the day-to-day operations of an institution, organization or agency."

Neither the State nor its MCEs solicit managing employee information on all provider enrollments and credentialing forms. Thus, the State would have no way of knowing if excluded individuals are working for providers or health care entities in such positions as billing managers and department heads.

Recommendation: Modify FFS provider enrollment and managed care credentialing applications to require disclosure of managing employee information.

CONCLUSION

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

- posting a list of excluded individuals and entities on the State's website,
- exemplary organization of the program integrity case files,
- the PI Unit's direct involvement in recipient fraud cases,
- use of advanced algorithms and analytics in identifying aberrant provider behavior, and
- effective communication between the PI Unit, managed care program area, and MCEs.

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

However, the identification of three areas of non-compliance with Federal regulations is of concern and should be addressed immediately. In addition, one vulnerability was identified. CMS encourages SCDHHS to closely examine the area of vulnerability that was identified in this review.

It is important that these issues be rectified as soon as possible. To that end, we will require SCDHHS 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, we will request that the State include in that plan a description of how it will address the vulnerability identified in this report.

The corrective action plan should address how the State of South Carolina 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 SCDHHS has already taken action to correct compliance deficiencies or vulnerability, the plan should identify those corrections as well.

The Medicaid Integrity Group looks forward to working with the State of South Carolina on building upon effective practices, correcting its regulatory compliance issues, and eliminating its vulnerabilities.