JLARC
JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

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JLARC Research on Medicaid Improper Payments

Commission Briefing

Improper payments include errors, abuse, and fraud

	Accidental	*Intentional*	
	Error	**Abuse**	**Fraud**
Providers	Use incorrect medical codes	Provide more intensive services than necessary	Bill for services not provided
Recipients	Provide inaccurate information	Overutilize medical services	Withhold information
Agencies and MCOs	Enroll ineligible recipients Improperly pay providers		

JLARC reports on Medicaid improper payments

Asset sheltering for Medicaid long-term care (2006)

Mitigating Medicaid improper payments (2010, 2011)

Determining Medicaid eligibility (2015)

Managing Medicaid costs (2016)

Asset sheltering – 2006

- Found that common sheltering tactics were addressed by new federal law
- Virginia used flexibility to further mitigate asset sheltering; report offered additional options
- Subsequent federal changes caused Virginia to abandon efforts to address asset sheltering

Mitigating improper payments – 2010, 2011

Research areas pertaining to improper payments

- Errors in recipient eligibility determination
- Improper claims paid to providers
- State oversight of MCO program integrity efforts

Errors in recipient eligibility determination

- Found that enrollment of ineligible recipients is greatest potential source of improper payments
- Recommended better IT; enhanced oversight & training; administrative hearings for recipient fraud
- Greater oversight and administrative hearings not implemented

Improper claims paid to providers

- Found that <1% of provider claims paid improperly
- Recommended using enrollment information to identify high-risk providers; using pre-payment analytics; and targeting providers based on risk
- Most recommendations implemented

State oversight of MCO program integrity efforts

- Found insufficient state oversight to ensure MCO rates did not include improper payments; discrepancies in MCO expenditures data
- Recommended more oversight and independent verification of MCO claims and expenditures
- Independent verification of MCO data not performed; discrepancies still exist

Determining Medicaid eligibility – 2015

Research areas pertaining to improper payments

- Error and fraud in eligibility determination
  - Income verification
  - Asset verification
- Improper payments due to late eligibility renewals

Income reporting and verification

- Found that state policy does not require checking for income when none is reported by applicant
- Recommended changes to ensure unreported income is identified and only eligible applicants are enrolled
- 2016 Appropriation Act directed policy changes to ensure all applicants meet income criteria

Asset reporting and verification

- Found that applicants could “shelter” assets simply by not disclosing them on application
- Lack of complete, reliable data limits state’s ability to identify unreported assets
- Recommended stronger asset verification policies and use of nationwide real estate database
- 2016 Appropriation Act directed DSS to improve policies and data to identify undisclosed assets

Late eligibility renewals

- Found that late renewals may have resulted in $21 million to $38 million in improper payments for ineligible recipients in FY14
- Recommended use of central processing unit to eliminate backlog of renewals and system changes
- Recommendations not yet implemented

Managing Medicaid costs – 2016

Current research on improper payments

- Reviewing incentives for MCOs to effectively control costs, including mitigating fraud
- Assessing service authorization and utilization to ensure clients receive only services they need
- Benchmarking utilization and costs to determine if spending should be lower
- Examining whether pharmacy rebate process ensures Virginia collects maximum amount

This report will be briefed in December 2016.

Key takeaways

- Together, the four studies on Medicaid represent a comprehensive review of error, abuse, and fraud
- Current study will produce recommendations to limit improper payments in areas with highest Medicaid costs