EXECUTIVE SUMMARY

DEPARTMENT OF HUMAN SERVICES - DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES and
THE OFFICE OF THE STATE COMPTROLLER – MEDICAID FRAUD DIVISION

MEDICAID THIRD PARTY LIABILITY (TPL) RECOVERY SERVICES

We found the financial transactions were not always reasonable, payments to the vendor were not always in compliance with the contract terms, and the contract was not always properly monitored. We noted the vendor billed for services that were not in compliance with the contract while the DMAHS and the MFD continually approved those invoices resulting in payments to the vendor totaling $7.5 million for unbillable outcomes. A provision in the contract was waived, diminishing the state’s ability to effectively monitor the vendor’s recovery efforts. Furthermore, the vendor’s performance in the legal settlement recovery process has been inadequate resulting in attorneys’ complaints, inaccurate calculations of the Medicaid lien amount, and the DMAHS closing cases that were the responsibility of the vendor. Lastly, we determined that changes should be made to the future contract to include a flat fee for compensating the vendor for updates to the beneficiaries’ TPL files which could result in significant cost savings.

AUDIT HIGHLIGHTS

- The vendor billed for identifying TPL health coverage that had previously been identified. Our review noted that the vendor billed the division $7.5 million for updating approximately 112,000 beneficiary records during their re-verification process, where no new health insurance coverage was identified.

- DMAHS management waived a reporting requirement when the contract went into effect on January 1, 2008. The division could not provide written documentation for the waiver. Changes in the scope of work to be performed by the vendor should have been approved by the Department of the Treasury, Division of Purchase and Property. Waiving the reporting provision in the contract restricted the state contract manager’s ability to effectively monitor the vendor’s collection efforts and investigate questionable claims.

- The current contract is set to expire on October 31, 2013 and a “Request for Proposal” (RFP) for a new contract will be issued. It would be in the state’s best interest to include a flat fee for updating beneficiaries’ TPL files and exclude the use of health risk factors as they are not related to the vendor's level of effort when performing these updates. Our review noted the state of New York has a contract with the same vendor and pays a flat fee to perform these updates.

AUDITEE RESPONSE

The Medicaid Fraud Division did not agree with two of our findings and recommendations. Their response includes comments that we clarify in our auditor’s follow-up response.

For the complete audit report, click here.