
January 2014

Performance Audit
Recommendations and Corrective
Actions for Audit: 07-8

Needed System Improvements
and Questioned Payments
Identified

Dated: 05/08/2007

Overview

The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities two and four years after the calendar year in which the audit report is issued (e.g., we followed up on recommendations contained in audit reports issued in calendar year 2008 in 2010 and 2012). Our annual performance reports summarize whether we are meeting our recommendation implementation targets.

Act 155 (2012) required that we post on our website “a summary of significant recommendations arising out of the...audit reports... and the dates on which corrective actions were taken related to these recommendations. Recommendation follow-up shall be conducted at least biennially and for at least four years from the date of the audit report.”

This report addresses the requirements of Act 155 to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state’s financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our new contract for this work requires the contractor to provide the results of its recommendation follow-up in the future. Accordingly, we expect that future reports will contain this data.

Audit No., Name & Date	Rec. #	Recommendation	Follow-Up Date	Status and Date	Review Comments
07-8 Medicaid - Needed System Improvements and Questioned Payments Identified 05/08/2007	1	The Office of Vermont Health Access (now the department DVHA) should direct EDS [now HPES] to complete correction of the identified problems related to specific edits and audits.	12/14/2011	Implemented 12/14/2011	Based on a review of HPES documentation and applicable screens in the Medicaid Management Information System (MMIS), all 15 of the edits and audits with outstanding problems at the time of the audit were either corrected or disabled by HPES.
	2	The Office of Vermont Health Access (now the department DVHA) should direct EDS [now HPES] to develop and maintain a single comprehensive list of active error status codes (ESC).	12/12/2011	Implemented 7/27/2011	HPES's Director of Claims Operations reported on 6/3/11 that a comprehensive list of error status codes had been established. A list of these codes were subsequently provided, which showed that an analysis had been performed of each active error status codes and which edit screens were being utilized by each code.
	3	The Office of Vermont Health Access (now the department DVHA) should direct EDS [now HPES] to analyze, in a systematic manner and in conjunction with OVHA staff, current error status codes (ESC) to determine whether additional changes need to be made to make sure that they are in line with current Medicaid policies, are executed for the appropriate claim types and procedure codes and procedure code/modifier combinations, and have an appropriate disposition.	6/3/2011	Implemented 6/5/2007	HPES's Director of Claims Operations reported on 6/3/11 that weekly meetings with HPES and DVHA staff are held to go over errors status codes. In addition, these meetings are used to approve and document changes to these codes. Examples of minutes to meetings on 10/5/2010 and 9/21/2011 were obtained to show that this was occurring.
	4	The Office of Vermont Health Access (now the department DVHA) should direct EDS [now HPES] to expeditiously develop written procedures to govern the management of the error status code (ESC) process.	6/3/2011	Implemented 6/2/2007	HPES's Director of Claims Operations reported on 6/3/11 that procedures had been developed and provided copies.

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07-8 Medicaid - Needed System Improvements and Questioned Payments Identified 05/08/2007	5	The Office of Vermont Health Access (now the department DVHA] should direct EDS [now HPES] to train claims staff on how the reference screens interrelate, including instructions as to which screens and data need to be changed within the system to achieve various types of changes.	6/3/2011	Implemented 7/29/2009	HPES's Director of Claims Operations reported on 6/3/11 that new coders and reference clerks were trained on the Medicaid Management Information System and provided a copy of the training material.
	6	The Office of Vermont Health Access (now the department DVHA] should direct EDS [now HPES] to develop, in conjunction with OVHA staff, a monitoring process to periodically review error status code (ESC) override decisions.	12/15/2011	Implemented 7/30/2007	On 12/15/2011, the HPES Director of Claims Operations stated that a randomly selected sample of suspended claims (whether overridden or denied) are independently reviewed daily and an assessment made of whether the clerk made the correct decision on the claim. The Director provided a copy of the procedures used and an example of a report showing the results.
	7	The Office of Vermont Health Access (OVHA), which is now a department (DVHA] should direct EDS [now HPES] to develop, in conjunction with OVHA staff, a plan to fully implement the McKesson Claim Check® and Claim Review® tools in an expeditious manner. This plan should include specific tasks and the milestones and resources associated with their completion. EDS and OVHA should also track progress against this plan.	12/15/2011	Not Implemented	On 12/15/11, an HPES systems manager reported that no additional Claim Check and Claim Review edits have been implemented since the 2007 report.

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07-8 Medicaid - Needed System Improvements and Questioned Payments Identified 05/08/2007	8	The Office of Vermont Health Access (now the department DVHA] should direct EDS [now HPES] to implement a new error status code (ESC) or change an existing one to address the problem identified in the Medicare Primary Payer algorithm.	12/9/2011	Implemented	Per the HPES Claims Operations Manager, error status code 819 was implemented to address this problem wherein duplicate claims related to two different claims types were being paid. HPES provided a resolution policy manual page describing this edit and the applicable Medicaid Management Information System screens were reviewed confirming that the edit was active. In addition, HPES provided a list of 123 claims that had one or more items denied (not paid) due to the implementation of this edit. (HPES could not determine the amount of the denied claims).
	9	The Office of Vermont Health Access (now the department DVHA] should employ data mining of paid claims as an ongoing tool for post-payment review.	12/21/2011	Implemented	DVHA contracted with Ingenix (formerly HWT) to provide post-payment reviews of claim data. Ingenix has created a database of 7 years of Medicaid data to identify specific claims that should not have been paid upon policy or accepted coding methodology. It is expected that the benefits of this contract will be (1) identification of providers for future audits, (2) referrals to law enforcement, (3) recoupment of overpaid claims, (4) policy and payment changes, and (5) educational opportunities. According to DVHA, it had difficulty implementing this project. Accordingly, it is in the beginning stages of analyzing the data that Ingenix has begun to provide and has not yet recouped a significant amount (as of mid-December 2011, the Ingenix work has resulted in \$11,535 in recoveries and \$15,677 in cost avoidance related to medical service claims). However, millions of dollars have been identified for further analysis.
	10	The Office of Vermont Health Access (now the department DVHA] should systematically review and validate the specific claims identified by our data mining contractor to clearly determine which of the claims were incorrectly billed or paid.	12/22/2011	Not Implemented	DVHA provided no evidence that this recommendation was implemented.

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07-8 Medicaid - Needed System Improvements and Questioned Payments Identified 05/08/2007	11	The Office of Vermont Health Access (now the department DVHA) should seek refunds for those identified claims that were improperly paid and for which providers are unable to document as valid claims. Providers should have the opportunity to provide documentation that supports the questioned paid claims.	12/22/2011	Not Implemented	DVHA provided no evidence that this recommendation was implemented.
	12	The Office of Vermont Health Access (now the department DVHA) should review the feasibility of employing these or other algorithms on paid claims dated before July 1, 2004 and subsequent to our review dates to identify additional questionable payments and seek to recoup these payments, as appropriate.	12/22/2011	Implemented 5/28/2008	As of mid-December 2011, Ingenix (formerly HWT) had run 17 algorithms for DVHA of which two were the same as those in the 2007 report (correct code initiative and duplicate crossover claims). In addition, there are eight algorithms that are in development.
	13	The Office of Vermont Health Access (now the department DVHA) should in the case of the Outpatient Radiology Overpayments algorithm, require EDS [now HPES] to perform an analysis of the paid claims affected by the system error related to the technical component modifier for the time period in which providers are required to keep supporting documentation (6 years). Using this analysis, OVHA should assess the extent that overpayments and underpayments were made and determine the feasibility of correcting these payments.	12/22/2011	Not Implemented	Per HPES' Claims Operation Manager, this recommendation was not implemented.