

## Review

### Secretary of State Audit

#### Oregon Health Authority Medicaid Payments (Report 2017-25)

##### Secretary of State Audit Plan Item

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**Title of Audit:**

Oregon Health Authority Should Improve Efforts to Detect and Prevent Improper Medicaid Payments

**Recommendation:**

Acknowledge receipt of the report and consider findings and agency responses during the 2019 session, including ensuring that agency practices comply with laws, rules, and policies.

**Overview:**

Scope and Purpose of Audit – The Secretary of State’s Audits Division identified the primary purpose of the audit as determining whether the Oregon Health Authority (OHA) could improve processes to prevent, detect, and recover improper Medicaid payments. In addition, the audit was to follow up on OHA’s progress regarding Medicaid eligibility issues identified during the audit process.

Audit Recommendations – The audit identified eight recommendations to help OHA improve Medicaid program integrity functions. There are no audit findings indicating non-compliance with federal or state laws or regulations; however, there is a recommendation that the agency ensure Oregon Administrative Rules provide the ability to hold providers accountable for improper payments. Other recommendations fell into three general categories:

- Process changes to ensure controls are in place and work well (it is noted in the audit that some of these changes may require additional staff).
- Institute new programs or efforts.
- Changes to increase the program integrity for Coordinated Care Organizations related to improper payments.

The recommendations are based on practices in other states, information received from agency staff, and the assessment of the auditors. (For a full listing of the audit findings, go to [sos.oregon.gov/audits/Documents/2017-25.pdf](https://sos.oregon.gov/audits/Documents/2017-25.pdf))

Agency Response – In general, the agency agreed with the audit recommendations, and indicates that work to address all the recommendations will be completed by or before January 2019. The agency does disagree with some of the audit findings and details, including when it is appropriate to determine a client is ineligible for benefits and the timing of the agency’s disclosure of the redetermination issue. The agency response letter to the Secretary of State is included in the audit and provides further detail on the agency’s position regarding some of the audit findings and detail.

**Analysis:**

As noted above, the audit did not identify any areas of non-compliance with federal or state requirements. In addition, the agency agrees with the audit recommendations and has either begun work to implement changes, or had started that work before the audit, as the agency had already identified some of the issues discussed in the audit.

The agency's 2017-19 legislatively adopted budget included approval of a policy package to enhance program integrity through a cost-effective program to detect, prevent and investigate fraud, waste and abuse. Funding included \$3.0 million General Fund, \$2.1 million Other Funds, and \$5.0 Federal Funds, for a total of \$10.1 million. In addition, 9 positions (8.00 FTE) were approved. The package included funding for 7 new auditor positions to provide better oversight and monitoring of providers, to improve program integrity practices in rule-making, contracting, and operations, and to focus on specific issues with the Medicaid Management Information System (MMIS). It also included funding for a data-analytics contractor to perform advanced analytics on Medicaid data. Two additional positions were approved to provide support to testing changes and defects in MMIS, along with funding for a contract to do a thorough functional assessment of MMIS. All components of this work fit well within the audit recommendations. It should also be noted that the construction of this package incorporated work that the agency had done the previous biennium looking at the capabilities of data analytics programs through an RFI process.

The challenge for the agency is that the budget assumes that the package will generate \$17 million in state revenues during the biennium, including \$2.1 million to help fund the package and an additional \$15 million for general budget use. It remains to be seen whether this is achievable in the first biennium.

In follow up with the agency by the Legislative Fiscal Office, the agency states that the work they have identified can, for the most part, be completed within existing resources. As noted above, some of the audit issues and the work to be done to address the issues were discussed and acknowledged during 2017 legislative budget hearings. The agency notes that some of the recommendations may require additional funding beyond what was included in the 2017 legislatively adopted budget to be implemented; such changes should be part of future legislative budget discussions.

**Recommendation:**

The Legislative Fiscal Office (LFO) recommends acknowledging receipt of the audit report. LFO expects the agency to complete the changes that they outline in their agency response to the audit and to provide notification when the work is completed. Based on the audit findings and agency response, no change to current law is needed.

LFO notes that discussions regarding the need for additional funding or changes or enhancements to this program should continue to be part of the regular policy and budget discussions and hearings for the agency. If the agency cannot complete the work outlined in their response to the audit within the current budget authority, specific audit recommendations and agency responses may be taken into consideration during the 2019 session when they can be evaluated in the context of all OHA programs and services. Ultimately, decisions on program and service levels for state programs, as well as funding, continue to need to be made within the context of total available statewide resources and priorities.