



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Medicaid Program Integrity Section is Not Cost-Effectively Identifying and Preventing Fraud, Waste, and Abuse

Summary

The Joint Legislative Program Evaluation Oversight Committee's 2015–17 Work Plan directed the Program Evaluation Division to examine the effectiveness and efficiency of the state Department of Health and Human Services' Medicaid Program Integrity (PI) Section. The PI Section contributes to the strategic objective of the North Carolina Medicaid program by detecting and preventing fraud, waste, and program abuse, and by ensuring that taxpayer dollars are used appropriately.

Due in part to a lack of access to valid and reliable claim payment data, the number of fraud referrals made by the Program Integrity Section to the state Department of Justice's Medicaid Investigations Division (MID) declined by 84% from Fiscal Year 2012–13 to Fiscal Year 2014–15. In addition, MID was limited in its ability to pursue prosecutions of the fraud referrals submitted by the PI Section in Fiscal Year 2014–15.

The lack of a formal risk assessment process and performance management information has limited the cost-effectiveness of the PI Section. In Fiscal Year 2014–15, payments to contractors performing pre-claim and post-claim payment reviews exceeded associated savings to state funding requirements by \$3.2 million. The PI Section is also not effectively monitoring Medicaid recipient eligibility determinations performed by county departments of social services. Further, the PI Section is not effectively utilizing available information gleaned from reviews of eligibility determinations and medical service claims.

To address these findings, the General Assembly should amend state law to:

- adopt a uniform methodology to identify and measure the severity of Medicaid eligibility and medical service claim errors,
- provide incentives for county departments of social services to ensure the accuracy of Medicaid eligibility determinations,
- require the North Carolina Medicaid program, in partnership with the Office of Administrative Hearings and MID, to identify alternatives to increase the amount recouped from identified overpayments and the percentage of fraud referrals accepted by MID for further investigation and prosecution,
- develop and incorporate a Progressive Corrective Action process for providers selected for enhanced oversight, and
- produce an annual performance report and work plan that documents results and provides a roadmap to reduce fraud, waste, and abuse.