Audit Report

Fee-for-Service Claim Payments for Pregnant Women with Medicaid Managed Care Eligibility

Texas HHS Medicaid and CHIP Services, HHSC Access and Eligibility Services, and HHSC Information Technology

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Inspector General

Texas Health and Human Services

HHS OIG
TEXAS HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

WHY OIG CONDUCTED THIS AUDIT

The Texas Health and Human Services (HHS) Office of Inspector General Audit and Inspections Division (OIG Audit) conducted an audit of Texas Health and Human Services Commission Information Technology (HHSC IT). The audit focused on risks related to fee-for-service payments for services covered by managed care organizations (MCOs). During state fiscal year 2019, fee-for-service represented approximately 6 percent of the 4.3 million individuals enrolled in Texas Medicaid.

The audit objective was to evaluate the effectiveness of processes and controls designed to prevent fee-for-service claims from being paid for services covered by MCOs.

WHAT OIG RECOMMENDS

HHS Medicaid and CHIP Services (MCS) should:

- Determine whether retroactive capitation payments should have been made to MCOs for periods in which fee-for-service payments were made.
- Determine if there are adequate controls to support the business objectives for eligibility and enrollment processes.

HHSC IT should:

- Identify and address control weaknesses in TIERS data interfaces with the enrollment broker or the Texas Medicaid and Healthcare Partnership (TMHP).

MANAGEMENT RESPONSE

MCS and HHSC IT agreed with the recommendations and will take actions to analyze and resolve issues identified.

For more information, contact:
OIGAuditReports@hhsc.state.tx.us

FEE-FOR-SERVICE CLAIM PAYMENTS FOR PREGNANT WOMEN WITH MEDICAID MANAGED CARE ELIGIBILITY

Texas HHS Medicaid and CHIP Services, HHSC Access and Eligibility Services, and HHSC Information Technology

WHAT OIG FOUND

In certain situations involving the Medicaid for Pregnant Women program, the transmittal of managed care enrollment information between the Texas Integrated Eligibility Redesign System (TIERS) and either the enrollment broker or the Texas Medicaid and Healthcare Partnership (TMHP) did not occur as expected. Unanticipated events delayed transmittal of enrollment information, which resulted in (a) the avoidable payment of fee-for-service claims for months in which costs for health care services should have been paid by a managed care organization (MCO) and (b) retroactive capitation payments made to an MCO for months in which fee-for-service claims were paid. Specifically:

- Managed care enrollment information was not confirmed or transmitted within 60 days for 1,788 of 19,698 (9 percent) individuals in the Medicaid for Pregnant Women program during the scope of this audit; however, 17,910 of 19,698 (91 percent) individuals in the Medicaid for Pregnant Women program were enrolled into managed care timely.
- HHSC made retroactive capitation payments totaling $3,721,939.92 for periods in which it also paid fee-for-service claims totaling $1,409,762.79 for certain pregnant women.

BACKGROUND

Texas Medicaid has transitioned most members and services from a fee-for-service model to a managed care model. Under the fee-for-service model, individuals enrolled in Texas Medicaid can obtain services from any Texas Medicaid provider, and the provider submits claims for covered services directly to HHSC.

The Medicaid for Pregnant Women program provides health coverage to low-income pregnant women. Pregnant women who qualify for Medicaid for Pregnant Women receive services through the State of Texas Access Reform (STAR) program.

To enroll pregnant women in managed care as soon as possible, the Texas Health and Human Services Commission (HHSC) expedites the Medicaid eligibility process for pregnant women. One method of expediting the eligibility process occurs when a pregnant woman seeking medical services is presumed to be eligible for Medicaid by a qualified hospital or entity. The individual can be presumptively enrolled in Medicaid, and any health care services received during presumptive eligibility are paid as fee-for-service until the pregnant woman applies for Medicaid. Once a Medicaid application is completed, eligibility should be determined by HHSC Access and Eligibility Services (AES) within 15 days. If the pregnant woman is certified as eligible for Medicaid for Pregnant Women, the individual is enrolled in managed care.

TABLE OF CONTENTS

INTRODUCTION

The Texas Health and Human Services (HHS) Office of Inspector General Audit and Inspections Division (OIG Audit) conducted an audit of Texas Health and Human Services Commission Information Technology (HHSC IT). The audit focused on fee-for-service payments for services covered by managed care organizations (MCOs).

Texas Medicaid has transitioned most members and services from a fee-for-service model to a managed care model. Under the fee-for-service model, individuals enrolled in Texas Medicaid can obtain services from any Texas Medicaid provider, and the provider submits claims for covered services directly to HHSC. During state fiscal year 2019, approximately 94 percent of the 4.3 million individuals enrolled in Texas Medicaid received services through managed care, while the remaining 6 percent received services through fee-for-service arrangements.[1]

In order to provide value-based care, HHSC transferred individuals covered under the fee-for-service model to managed care. Value-based care is achieved through care coordination provided by MCOs contracted with HHSC to facilitate Texas Medicaid services. Medicaid MCOs in Texas serve to establish medical homes for members; improve access to care; and ensure quality, cost-effective services are delivered to members.[2]

Under the managed care model, MCOs receive a capitation payment for each member enrolled, based on historical expenses by populations served. Capitation payments are monthly prospective payments HHSC makes to MCOs for the provision of covered services. HHSC makes capitation payments to MCOs at fixed, per member per month rates based on members' associated risk groups.

Unless otherwise described, any year referenced is the state fiscal year, which covers the period from September 1 through August 31.

Background

This audit examined fee-for-service claims with service dates during the period from September 1, 2018, through April 30, 2020. During the preliminary examination of claims, OIG Audit determined that 79 percent ($7.1 million of $9 million) of the fee-for-service claims under review were for individuals in the Medicaid for Pregnant Women program.

[1] *Texas Medicaid and CHIP Reference Guide*, "Quick Facts About Medicaid and CHIP," 13th ed., Texas Health and Human Services Commission (Dec. 2020).

[2] *Texas Medicaid and CHIP Reference Guide*, Chapter 3, 13th ed., Texas Health and Human Services Commission (Dec. 2020).

The Medicaid for Pregnant Women program provides health coverage to low-income pregnant women. Pregnant women who qualify for Medicaid for Pregnant Women receive services through the State of Texas Access Reform (STAR) program. Medicaid for Pregnant Women provides health care from the first day of pregnancy through two months post-partum.[3]

To enroll pregnant women in managed care as soon as possible, HHSC expedites the Medicaid eligibility process for pregnant women. One method of expediting the eligibility process occurs when a pregnant woman seeking medical services is presumed to be eligible for Medicaid by a qualified hospital or entity.[4] The individual can be presumptively enrolled[5] in Medicaid, and any health care services received during presumptive eligibility are paid as fee-for-service until the pregnant woman applies for Medicaid. Once a Medicaid application is completed, eligibility should be determined by HHSC Access and Eligibility Services (AES) within 15 days.[6] If the pregnant woman is certified as eligible for Medicaid for Pregnant Women, the individual is enrolled in managed care.[7,8]

After the pregnant woman applies for Medicaid, the Texas Integrated Eligibility Redesign System (TIERS) (a) applies Medicaid business and program rules to process the application for Medicaid eligibility and, (b) if eligible, transmits client information, such as dates of eligibility and demographics, to the enrollment broker for enrollment of the individual into an MCO.

Prior to enrollment into an MCO, any health care services received are paid as fee-for-service claims, which are adjudicated and paid through the Texas Medicaid and Healthcare Partnership (TMHP). Once enrolled with an MCO, HHSC makes capitated payments through the Premiums Payable System to the member's selected or assigned MCO for the member's health care services. For purposes of this audit, responsible management in HHS Medicaid and CHIP Services (MCS) agreed that individuals eligible for the Medicaid for Pregnant Women program

[3] The 87th Regular Session of the Texas Legislature passed House Bill 133 to extend Medicaid coverage for six months post-partum effective September 1, 2021.

[4] Qualified Medicaid hospitals and entities go through the qualification process and agree to make presumptive eligibility determinations consistent with HHSC policies and procedures and meet HHSC standards. Most qualified entities are Medicaid providers. Qualified entities can make presumptive eligibility determinations only for Medicaid for pregnant women.

[5] Individuals with presumptive eligibility receive immediate, short-term Medicaid eligibility while their regular Medicaid application is processed.

[6] Texas Medicaid Provider Procedures Manual, Vol. 1, § 4.1.3 (Sept. 2018 through Apr. 2020).

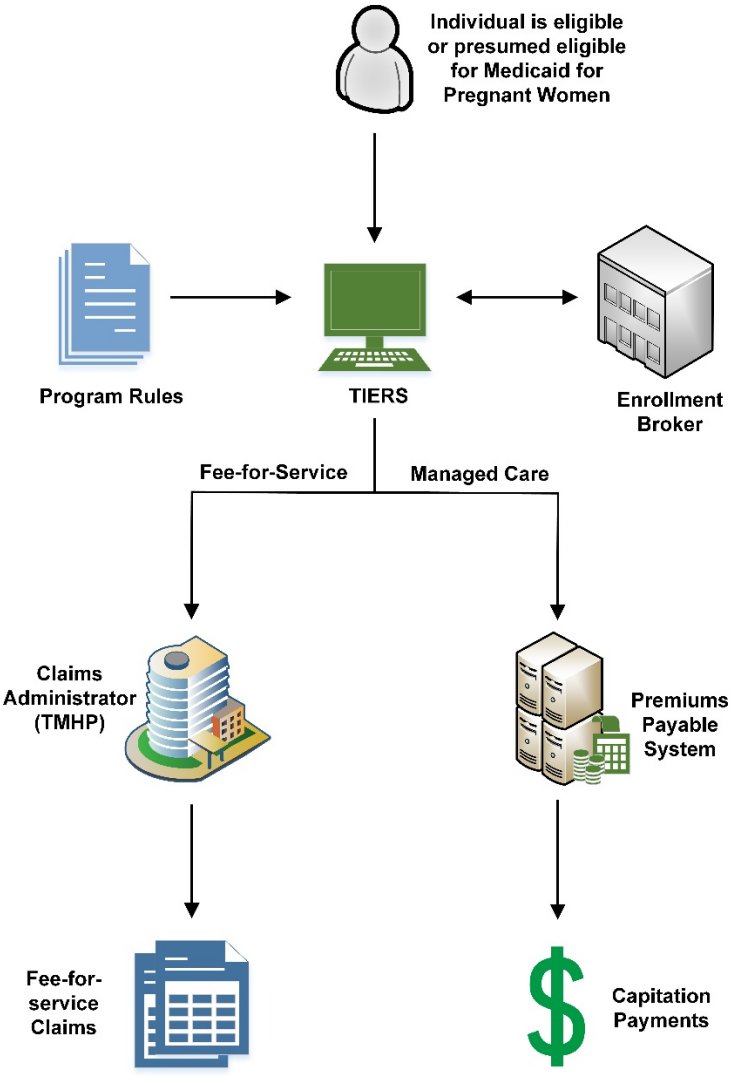
[7] Texas Medicaid Provider Procedures Manual, Vol. 2, "Medicaid Managed Care Handbook," §§ 3.2.1 (Sept. 2018 through Mar. 2020) and 2.3.2.1 (Apr. 2020).

[8] Pregnant women are enrolled in managed care through an expedited process, which includes (a) certification for Medicaid by AES within 15 days and (b) granting expedited enrollment into managed care. According to HHS management, the purpose for this expedited to enrollment is to limit the payment of fee-for-service claims for pregnant women who will be enrolled in managed care.

should be enrolled with an MCO no later than 60 days from the date of certification.

Figure A illustrates the information systems and interfaces involved with the eligibility, enrollment, and payments processes of pregnant women with presumptive eligibility for Medicaid for Pregnant Women.

Figure A: Process for Medicaid for Pregnant Women



Source: OIG Audit

Objective and Scope

The objective of the audit was to evaluate the effectiveness of processes and controls designed to prevent fee-for-service claims from being paid for services covered by MCOs.

The scope of the audit covered selected fee-for-service claims for the Medicaid for Pregnant Women program that were not carved out of managed care programs for services provided during the period from September 1, 2018, through April 30, 2020. The audit scope also included a review of relevant controls for systems that store and process enrollment information for individuals in the Medicaid for Pregnant Women program, including (a) TIERS, the information technology application used by MCS, (b) the enrollment broker, and (c) TMHP.

Methodology

OIG Audit reviewed cases where enrollment information for pregnant women was not transmitted to the HHSC claims administrator or the Premiums Payable System for more than 60 days after the date of certification during the audit scope period. The OIG Fraud, Waste, and Abuse Research and Analytics team provided the data for fee-for-service claims. Details about the data received and the sampling methodology are provided in Appendix A.

MCS and HHSC IT agreed with the recommendations presented in this report. HHSC IT will coordinate with MCS and AES to identify and address control weaknesses associated with TIERS and data exchanges of enrollment information with the enrollment broker. MCS will coordinate with appropriate HHS and external stakeholders to evaluate and strengthen business rules and process flows related to the Medicaid for Pregnant Women program. MCS will then determine whether changes to retroactive capitation payment policies are needed. These action plans involve multiple milestones with final actions targeted for implementation in 2023.

OIG Audit also reviewed TMHP's and HHS's system of internal controls, including components of internal control,[9] within the context of the audit objectives.

[9] For more information on the components of internal control, see the United States Government Accountability Office's *Standards for Internal Control in the Federal Government*, (Sept. 2014), https://www.gao.gov/assets/gao-14-704g.pdf (accessed Apr. 16, 2021).

Criteria

OIG Audit used the following criteria to evaluate the information provided:

- Texas Works Handbook, Part A, §§ 136 (2015) and 140 (2020)
- Texas Medicaid Provider Procedures Manual, Vol. 1, § 4.1.3 (2018 through 2020)
- Texas Medicaid Provider Procedures Manual, Vol. 2, "Medicaid Managed Care Handbook," §§ 3.2.1 (2018 through 2020) and 2.3.2.1 (2020)

Auditing Standards

Generally Accepted Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

In certain situations involving Medicaid for Pregnant Women, the transmittal of managed care enrollment information between TIERS and either the enrollment broker or TMHP did not occur as expected. Unanticipated events delayed transmittal of enrollment information, which resulted in (a) the avoidable payment of fee-for-service claims for months in which costs for health care services should have been paid by an MCO and (b) retroactive capitation payments made to an MCO for health care costs already paid through fee-for-service.

Individuals enrolled in Medicaid for Pregnant Women should be (a) certified for Medicaid by AES within 15 days and (b) granted expedited enrollment into managed care. After reviewing audit criteria and discussing the eligibility and enrollment processes with MCS, AES, and HHSC IT, OIG Audit found that there was not a defined length of time a pregnant woman would remain in fee-for-service, and it was agreed that individuals enrolled in the Medicaid for Pregnant Women program should be enrolled in managed care within 60 days of eligibility.

Issue 1: Fee-for-Service Claims Were Paid for Individuals Eligible for Managed Care

Managed care enrollment information was not confirmed or transmitted within 60 days for 1,788 of 19,698 (9 percent) individuals in the Medicaid for Pregnant Women program during the scope of this audit; however, 17,910 of 19,698 (91 percent) individuals in the Medicaid for Pregnant Women program were enrolled into managed care timely.

In some cases, HHSC paid fee-for-service claims for pregnant women enrolled in Medicaid and then also made capitation payments to MCOs for months in which those fee-for-service claims were paid. OIG Audit worked with HHSC IT, MCS, and AES staff to identify the cause for why fee-for-service payments were made for periods for which capitation payments were also made. Working with HHSC, OIG Audit was able to identify some control weaknesses that contributed to delays in enrolling pregnant women in managed care.

Delays in transmitting enrollment information were primarily caused by errors in the processing of enrollment information within TIERS and transfers between TIERS and other business partners. Additionally, business logic rules that were not clearly defined for unique and unexpected situations, such as changes to Medicare coverage and other types of unusual situations that caused unanticipated results. Other control weaknesses may have contributed to these errors; however, those potential weaknesses require further research by HHSC IT, MCS, and AES staff.

Errors in the processing of enrollment information and delayed transmittal of correct enrollment information to the claims administrator and Premiums Payable System resulted in (a) payment of claims for pregnant women and (b) retroactive capitation payments to MCOs for up to eight months from the date the eligibility was certified. When the enrollment information was transmitted to and processed by the Premiums Payable System, it resulted in retroactive capitation payments to MCOs. Retroactive capitation payments were made for up to six additional months during which individual claims were paid as fee for service and not by the MCO.

As a result, HHSC made retroactive capitation payments totaling $3,721,939.92 for periods in which it also paid fee-for-service claims totaling $1,409,762.79 for certain pregnant women.

Recommendation 1a

MCS, in coordination with AES and HHSC IT, should (a) determine whether retroactive capitation payments should have been made to MCOs for periods in which fee-for-service payments were made and (b) take appropriate action based on the results.

Management Response

Agree

Action Plan

The claims reviewed during the audit demonstrated that Pregnant Women are enrolled in Managed Care in a timely manner. OIG identified issues with the way TIERS transmits managed care enrollment information either because of system issues or missing business logic. The true impact of retroactive payment enrollment policies cannot be known until these issues are resolved and managed care enrollment information is transmitted correctly in the situations identified in the audit. Once the issues identified in recommendations 1B and 1C of this audit are addressed, MCS will review claims information to determine if changes to retroactive payment enrollment polices are needed, determine whether other action is necessary (e.g. changes to FFS claims adjudication), and begin to work on a plan to implement any necessary changes.

Responsible Manager

Deputy Associate Commissioner, MCS Policy and Program

Target Implementation Date

MCS Program Policy will coordinate with MCS Program Enrollment and Support (PES) and HHSC Actuarial analysis to determine necessary changes and create a plan to implement changes 180 days after the implementation of Recommendations 1b and 1c.

Recommendation 1b

HHSC IT, in coordination with MCS and AES, should identify and address control weaknesses in TIERS data interfaces with the enrollment broker or TMHP that caused delays in enrollment information for pregnant women being transmitted to the HHSC claims administrator and the Premiums Payable System.

Management Response

Agree

Action Plan

HHSC IT Social Services Applications (IT-SSA) acknowledges the finding and will begin working with MCS and AES to identify and address control weaknesses in TIERS data interfaces with the enrollment broker and/or TMHP that caused delays in enrollment information for pregnant women being transmitted to the HHSC claims administrator and the Premiums Payable System (PPS). Resources, from IT-SSA, AES, and MCS will be assigned to analyze what part of the interface process between TIERS and TMHP caused the delay and determine how the process can be improved. This will be done on a weekly basis, by collaborating with MCS, AES, and all other applicable trading partners. Once the root cause is determined, business rules and requirements will be captured, and sprint development and testing will begin.

Responsible Manager

Director, IT Application Services
Director, IT Social Services Applications

Target Implementation Date

- *HHSC IT SSA will establish and begin meeting with an internal workgroup no later than 10/31/2021.*
- *HHSC IT SSA establish and begin meeting with a workgroup with MCS and AES no later than 1/31/2022.*

- *HHSC IT SSA will provide Review, Approvals, and Testing across all areas no later than 4/30/2022.*

- *HHSC IT SSA will implement new processes to ensure there are no delays in enrollment by 8/31/2022.*

Recommendation 1c

MCS, in coordination with AES and HHSC IT, should evaluate business rules and process flows around Medicaid for Pregnant Women to determine if there are adequate controls to support the business objectives for eligibility and enrollment processes.

Management Response

Agree

Action Plan

MCS will coordinate with stakeholders, including TMHP, to review business rules and process flows related to Medicaid for Pregnant Women and address any business logic issues in TIERS including those related to changes in Medicaid coverage.

Responsible Manager

Deputy Associate Commissioner, MCS Program Enrollment and Support

Target Implementation Date

Review Business Rules and Process Flows: December 31, 2021
Initiate Project to Address Changes: March 31, 2022
Implement Modifications: December 31, 2022

CONCLUSION

This delayed transmittal of enrollment information resulted in (a) the avoidable payment of fee-for-service claims for months in which health care should have been paid by an MCO and (b) retroactive capitation payments made to an MCO for months in which fee-for-service claims were paid.

As a result of the delays in transmitting enrollment information, HHSC paid a total of $1,409,762.79 in fee-for-service claims that could have been avoided had accurate and timely enrollment information been transmitted to the HHSC claims administrator and the enrollment broker. HHSC also made retroactive capitation payments totaling $3,721,939.92 to MCOs for the same months that the fee-for-services claims were paid.

OIG Audit offered recommendations to HHSC IT, MCS, and AES, which, if implemented, will:

- Improve the accuracy and timeliness of enrollment information (a) in TIERS and (b) with interfaces between TIERS and the enrollment broker or TMHP.

- Reduce fee-for-service claims paid by HHSC after the timeline that pregnant women should be enrolled in managed care.

OIG Audit thanks management and staff at HHSC IT, MCS, and AES for their cooperation and assistance during this audit.

Appendix A: Sampling Methodology

OIG Audit examined fee-for-service payments for acute care claims with dates of service from September 1, 2018, through April 30, 2020. The claims data excluded the Children's Health Insurance Program (CHIP), STAR Health, School Health and Related Services, the County Indigent Health Care Program, Youth Empowerment Services, personal care services for STAR clients, inpatient hospital, dental, pharmacy, and carved out services claims. Additionally, claims with procedure code and modifier combinations for certain mental health rehabilitation, early childhood intervention services, and targeted case management were excluded.

After an initial assessment of the claims, OIG Audit focused the audit testing on fee-for-service payments made for claims under the Medicaid for Pregnant Women program, program type TP40.

OIG Audit analyzed all the Medicaid for Pregnant Women claims to identify when each individual was (a) eligible for Medicaid (i.e., the date Medicaid became effective), (b) certified for Medicaid (i.e., the date eligibility was determined), and (c) enrolled into managed care.

Test of Timeliness of Enrollment in Managed Care

OIG Audit, using the business rules for enrolling pregnant women, determined which of the fee-for-service claims should have been covered by an MCO's capitated payment if the individual had been enrolled timely.

Test of Business Rules for Pregnant Women in TIERS

OIG Audit selected a risk-based sample of the claims by highest payment amounts. Auditors selected 13 individuals and followed business rule requirements outlining the enrollment in the MCO and the status communicated to TMHP.

Appendix B: Acronyms

Acronyms Used in This Report

AES	HHSC Access and Eligibility Services
CHIP	Children's Health Insurance Program
HHS	Health and Human Services
HHSC	Health and Human Services Commission
IT	Information technology
MCO	Managed care organization
MCS	HHS Medicaid and CHIP Services
OIG	Office of Inspector General
OIG Audit	OIG Audit and Inspections Division
STAR	State of Texas Access Reform
TIERS	Texas Integrated Eligibility Redesign System
TMHP	Texas Medicaid and Healthcare Partnership
TMMIS	Texas Medicaid Management Information System

Appendix C: Report Team and Distribution

Report Team

OIG staff members who contributed to this audit report include:

- Audrey O'Neill, CIA, CFE, CGAP, Chief of Audit and Inspections
- Kacy J. VerColen, CPA, Deputy Inspector General of Audit and Inspections
- Steve Sizemore, CIA, CISA, CGA, Audit Director
- Melissa Larson, CIA, CISA, CFE, HCISPP, Senior Managing Auditor
- Ashley Malone, CISA, Staff Auditor
- Anthony Felder, Associate Auditor
- McKenna Kolbasinski, Associate Auditor
- Karen Mullen, CGAP, Quality Assurance Reviewer
- Ashley Rains, CFE, Senior Audit Operations Analyst

Report Distribution

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- Wayne Salter, Deputy Executive Commissioner of Access and Eligibility Services
- Stephanie Stephens, Deputy Executive Commissioner, Medicaid and CHIP Services

- Emily Zalkovsky, Deputy State Medicaid Director, Medicaid and CHIP Services
- Michelle Erwin, Deputy Associate Commissioner, MCS Policy and Program
- Rachel Patton, Deputy Associate Commissioner, MCS Program Enrollment and Support
- Shannon Kelley, Associate Commissioner for Managed Care, Medicaid and CHIP Services
- Leatha Marr, Director, IT Application Services
- Larry Lusk, Director, IT Social Services Applications

Appendix D: OIG Mission, Leadership, and Contact Information

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- Susan Biles, Chief of Staff
- Dirk Johnson, Chief Counsel
- Christine Maldonado, Chief of Operations and Workforce Leadership
- Juliet Charron, Chief of Strategy
- Steve Johnson, Chief of Investigations and Reviews

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- Mail: Texas Health and Human Services
  Office of Inspector General
  P.O. Box 85200
  Austin, Texas 78708-5200
- Phone: 512-491-2000