Audit Report

# Processing of Outlier Nursing Facility STAR+PLUS Claims and Adjustments

**Molina Healthcare of Texas**

**December 9, 2020**
**OIG Audit Report No. AUD-21-004**

Inspector General

Texas Health and Human Services

**HHS OIG**
TEXAS HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

## WHY THE OIG CONDUCTED THIS AUDIT

OIG conducted this audit as a follow-up to complaints of nursing facility payments from MCOs being delayed by more than 90 days and of unprocessed nursing facility utilization review RUG rate retroactive adjustments. During 2018, HHSC made capitation payments of $451,131,439.32 to Molina for its administration of the State of Texas Access Reform PLUS (STAR+PLUS) program for nursing facility residents. This audit was of STAR+PLUS nursing facility clean claims paid by Molina.

The audit focused on (a) clean claim payments made more than 90 days after received date, (b) retroactive adjusted claim payments made more than 30 days after the receipt of the SAS notice, and (c) unprocessed nursing facility utilization review RUG rate retroactive adjustments. The audit objective was to determine whether Molina accurately and timely adjudicated qualified nursing facility provider clean claims in compliance with selected criteria.

## WHAT THE OIG RECOMMENDS

Molina should ensure the effectiveness of its automatic process to identify and complete all retroactive RUG rate adjustments and other payment adjustments as required by the Uniform Managed Care Contract and Uniform Managed Care Manual.

## MANAGEMENT RESPONSE

The OIG Audit and Inspections Division presented preliminary audit results, issues, and recommendations to Molina in a draft report dated November 10, 2020. Molina generally agreed with the recommendations and indicated it has taken corrective actions. Molina's responses are included in the report.

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# AUDIT OF PROCESSING OF OUTLIER NURSING FACILITY STAR+PLUS CLAIMS AND ADJUSTMENTS

*Molina Healthcare Texas*

## WHAT THE OIG FOUND

Molina adjudicated and paid most clean claims accurately and timely. Additionally, based on self-reported information, Molina adjudicated an average of 99.8 percent of clean claims within 10 days in calendar year 2018 and met the clean claim adjudicated timeframe as required by the Uniform Managed Care Contract.

However, Molina did not always (a) process HHSC Resource Utilization Group (RUG) rate adjustments as required, or (b) process other types of adjustments timely. Specifically:

- An analysis of encounter data by OIG determined that Molina processed 556 (71.1 percent) of the identified RUG adjustments, in the amount of $586,162.37. As of January 16, 2020, Molina had not processed the remaining 226 (28.9 percent) of retroactive RUG adjustments, with an expected net recovery of $315,023.30, which includes adjustments expected to reduce prior payments by $328,473.08 and adjustments expected to increase prior payments by $13,449.78.

  STAR+PLUS managed care organizations (MCOs) are required by contract to retroactively process RUG rate adjustments automatically no later than 30 days after receipt of a Texas Health and Human Services Commission (HHSC) notification. However, Molina stated that its automatic process relied on a manual request for the files to be run, so certain adjustments were not identified during the audit period. As a result, (a) Molina did not process all RUG rate adjustments in compliance with the contract, (b) the nursing facilities were not paid correct Medicaid-funded RUG rates for certain Molina claims, and (c) related encounters were not adjusted as required.

- Molina did not consistently process other types of claims adjustments from SAS notices within required timelines, which resulted in delayed payments to nursing facilities. Specifically, Molina did not process 13 of 30 (43 percent) adjustments tested within 30 days of the HHSC SAS notification as required. The delayed payment amount for the 13 adjustments totaled $16,540.29.

## BACKGROUND

Nursing facilities submit claims to MCOs for payment. If the claim contains complete information, the MCO will pay or deny it as appropriate, and then is able to accurately report the claim. If a claim does not contain all the necessary elements, the claim is rejected and returned it to the nursing facility to provide the needed information. Once a claim has been paid or denied, MCOs are required to automatically identify and process any retroactive payment adjustments. Claim payment adjustments occur when the MCO makes a change to the claim in response to new information from HHSC or OIG, the nursing facility, or the MCO's quality review results.

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# INTRODUCTION

The Texas Health and Human Services (HHS) Office of Inspector General (OIG) Audit Division conducted an audit of State of Texas Access Reform PLUS (STAR+PLUS) nursing facility claims paid by Molina Healthcare of Texas (Molina), a Medicaid and Children's Health Insurance Program (CHIP) managed care organization (MCO).

The OIG Audit and Inspections Division conducted this audit as a follow-up to complaints of nursing facility payments from MCOs being delayed by more than 90 days and of unprocessed nursing facility utilization review resource utilization group (RUG) rate retroactive adjustments. Molina was one of five MCOs audited to address these concerns. Unless otherwise described, any year referenced is the state fiscal year, which covers the period from September 1 through August 31.

STAR+PLUS is a Texas Medicaid managed care program for members with disabilities or who are age 65 or older. Five MCOs in Texas participate in the STAR+PLUS program: Amerigroup, Cigna-HealthSpring, Molina, Superior HealthPlan, and United Healthcare Community Plan. The STAR+PLUS program served an average of 526,768 members per month in 2018, of whom Molina served an average of 87,203 or 17 percent.

Texas Health and Human Services Commission (HHSC) Medicaid and CHIP Services (MCS) is responsible for overall management of the STAR+PLUS program and for oversight of MCOs, including Molina's administration of health care services through STAR+PLUS. MCS promulgates policy and rules related to the participation of nursing facilities in Medicaid, and, in the case of managed care, administers those policies and rules through provisions of the Texas Uniform Managed Care Contract (UMCC) and the Uniform Managed Care Manual (UMCM).

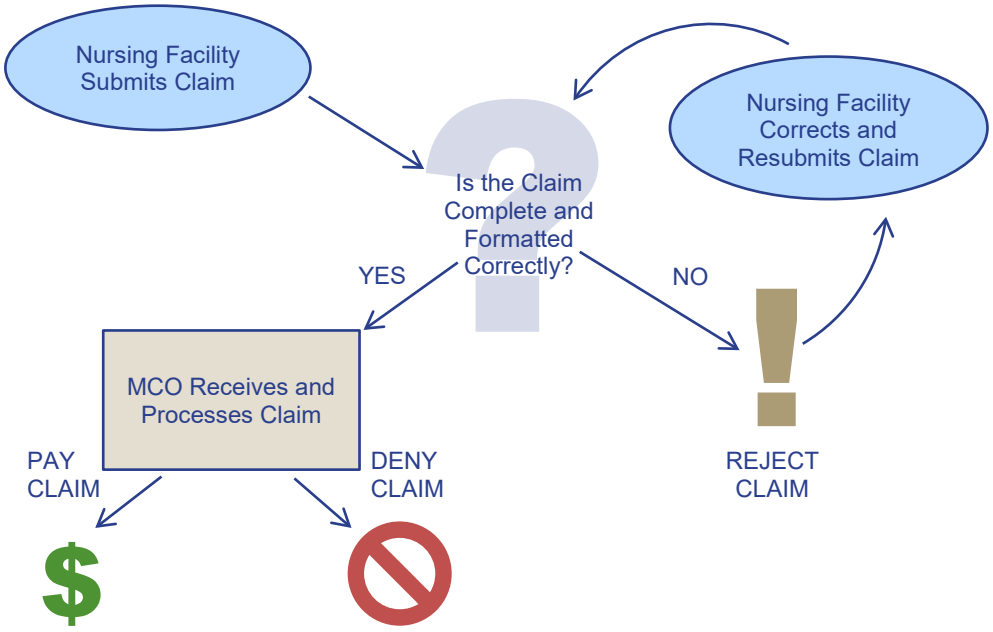
Nursing facilities are primarily reimbursed through a managed care model. For Medicaid residents in nursing facilities who are members of an MCO, HHSC makes a monthly capitation payment to the MCO for each resident. The MCO, in turn, receives claims from the nursing facility and reimburses the nursing facility a daily rate for the resident based on the RUG level of the resident.[1] During 2018, HHSC made capitation payments of $451,131,439.32 to Molina for its administration of the STAR+PLUS program for nursing facility residents.

[1] HHSC determines the payment amount associated with a specific RUG level. RUG levels are assigned based on the level of care needed by the member.

Claims Adjudication Process

Clean claims are defined as claims for services rendered to a member with the data necessary for the MCO to adjudicate[2] and accurately report the claim. If a claim does not contain all the elements necessary for the MCO to adjudicate it, it is rejected and returned to the nursing facility so that the nursing facility may provide the information necessary for adjudication. Figure 1 illustrates the claims adjudication process.

**Figure 1: Claims Adjudication Process**




*Source: OIG Audit and Inspections Division*

The MCO must use the Initial and Daily Service Authorization System (SAS) provider and rate data, determined by HHSC, in the adjudication of nursing facility claims. After a claim is adjudicated, new information may require it to be adjusted. MCOs can only adjust an adjudicated claim.

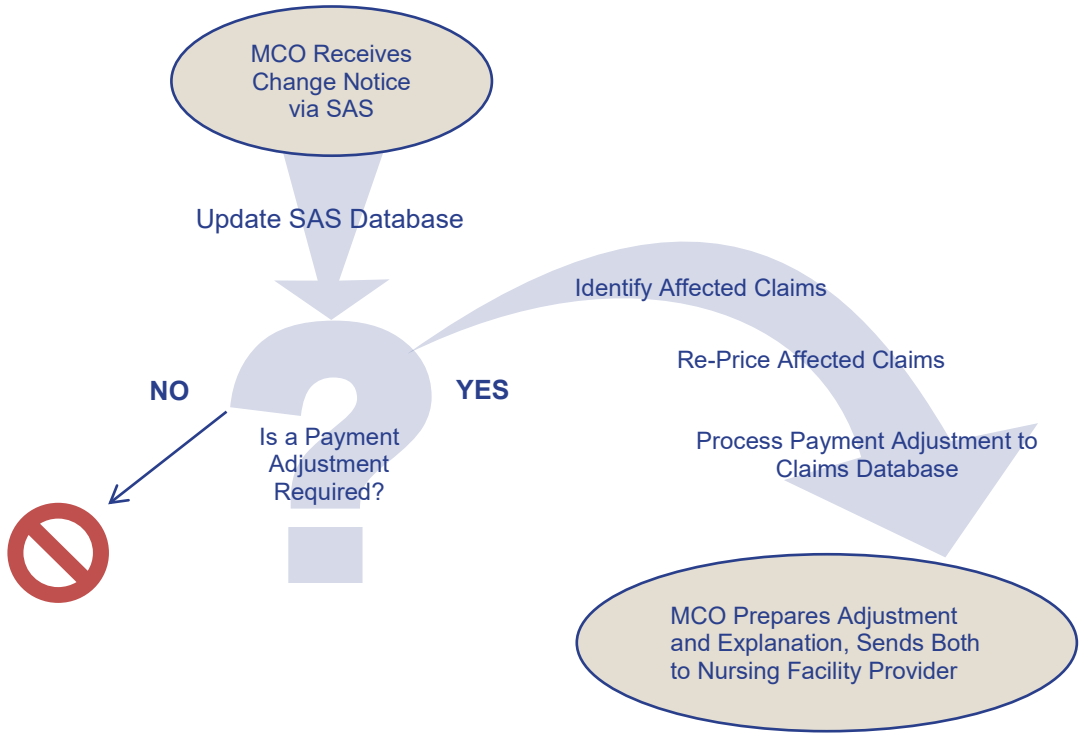
[2] Adjudicated claims are clean claims that have been either paid or denied.

Claims Adjustment Process

Claim payment adjustments occur when the MCO makes a change to the claim in response to new information from (a) HHSC, (b) the nursing facility, or (c) the MCO's quality review results.

Once a clean claim has been adjudicated, MCOs are required to automatically identify and process any HHSC retroactive payment adjustments transmitted via a SAS notice. Retroactive changes are typically made to member eligibility, the member's applied income, RUG or service level, provider contracts, provider hold, provider rate, or nursing facility service authorizations. The MCO has 30 days to review the change and process the HHSC retroactive payment adjustment. Figure 2 illustrates the payment adjustment process.

**Figure 2: Payment Adjustment Process**




*Source: OIG Audit and Inspections Division*

## Objectives and Scope

The audit objective was to determine whether Molina accurately and timely adjudicated qualified nursing facility provider clean claims in compliance with selected criteria.

This audit focused on (a) clean claim payments made more than 90 days after the received date, (b) retroactive adjusted claim payments made more than 30 days after receipt of the SAS notice, and (c) unprocessed nursing facility utilization review RUG rate retroactive adjustments.

The audit scope included clean claims received during 2018, including run-out[3] of retroactive adjustments through April 13, 2019.

## Methodology

The audit population for this report is outlier claims initially paid past the 90-day requirement.[4] For this audit, outlier claims are considered nursing facility claims for the same member and service dates with more than 90 days between (a) the date the claim was first received[5] and (b) the date the final payment is made.

The OIG Audit and Inspections Division selected statistically valid samples of 30 Molina STAR+PLUS clean claims and 30 Molina STAR+PLUS adjusted claims to test the timeliness, accuracy, and causes of any delays in adjudicated claims or processing of payment adjustments. The samples were chosen from a total of 1,839 clean claims and 59,441 adjusted claims identified as outliers. To accomplish its objectives, the OIG Audit and Inspections Division requested information from HHSC and Molina, including paid claim data, denied claim data, encounter data, and SAS file documentation.

The OIG Audit and Inspections Division obtained additional information through discussion and interviews with responsible staff at HHSC and Molina, as well as through collection and review of:

- Documentation supporting compliance with contractual requirements
- Information systems that support claims and adjustment processing

[3] After the claim has been adjudicated there is the possibility of a retroactive payment adjustment. For this audit, the runout period for a retroactive payment adjustment was cut off as of April 13, 2019.

[4] Uniform Managed Care Manual, Chapter 2.3 Section X.2, v. 2.1 (Mar. 1, 2015) states, "Within 90 days of the Received Date, adjudicate 99 percent of all Clean Claims by Program and by Service Area."

[5] Received date is defined as the date on which the Nursing Facility Provider submits the claims to the MCO or the HHSC-Designated Portal.

- Claims data and related encounter data
- Policies and business practices associated with the processing of claims and retroactive adjustments

The OIG Audit and Inspections Division conducted an on-site planning meeting at the Molina facility in Irving, Texas, on April 9, 2019. While on site, the OIG Audit and Inspections Division reviewed documentation for selected STAR+PLUS nursing facility claims to evaluate whether the documents would provide adequate support for compliance with contract provisions. Auditors also discussed general controls around data and the information technology system application controls used by claims staff.

The OIG Audit and Inspections Division presented preliminary audit results, issues, and recommendations to Molina in a draft report dated November 10, 2020. Molina generally agreed with the recommendations and indicated it has taken corrective actions. Molina's responses to the recommendations are included in the report following each recommendation.

## Criteria

The OIG Audit and Inspections Division used the following criteria to evaluate the information provided:

- Uniform Managed Care Contract, Attachment A, v.2.24 (2017) through v. 2.25.1 (2018)
- Uniform Managed Care Contract, Attachment B-1, v.2.24 (2017) through v. 2.25 (2018)
- STAR+PLUS Expansion Contract, v.1.28 (2017) through v.1.29 (2018)
- Uniform Managed Care Manual, Chapter 2.3, v. 2.1 (2015)

## Auditing Standards

Generally Accepted Government Auditing Standards

The OIG Audit and Inspections Division conducted this audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the issues and conclusions based on our audit objectives. The OIG Audit and Inspections Division believes the evidence obtained provides a reasonable basis for our issues and conclusions based on our audit objectives.

# AUDIT RESULTS

Based on self-reported information, Molina adjudicated an average of 99.8 percent of clean claims within 10 days in calendar year 2018 and met the clean claim adjudicated timeframe as required by its UMCC contract. However, Molina did not always (a) process HHSC RUG rate adjustments as required, or (b) process other types of adjustments timely. Specifically, as of January 31, 2020, Molina had not processed $315,023.30 in net RUG rate adjustments, and for 13 of 30 other types of adjustments tested (43 percent), Molina did not process other types of adjustments totaling $16,540.29 timely, which caused delays in payments to nursing facilities that ranged from 31 to 622 days.

## *RETROACTIVE CLAIM ADJUSTMENTS*

MCOs are required to automatically identify and process any HHSC retroactive payment adjustments. The MCO has 30 days to review the change and process the HHSC retroactive payment adjustment. Molina did not process 226 of 782 (28.9 percent) of the necessary RUG rate adjustments identified by the nursing facility utilization review. Additionally, Molina did not timely process 13 of 30 (43 percent) other types of tested SAS adjustments initiated by HHSC operations.

### Issue 1: Molina Did Not Process All Nursing Facility Utilization Review RUG Rate Adjustments

The UMCC requires the MCO to retroactively adjust payments automatically no later than 30 days after receipt of an HHSC SAS notification of a change to RUG rates.[6] However, Molina did not automatically process retroactive OIG nursing facility utilization review RUG rate adjustments as required.

Molina stated that in March 2015, they implemented an auto-adjustment process to identify and process payment adjustments due to SAS data changes. At that time, the SAS data file from HHSC was not always properly received and loaded into the Molina System. This auto-adjustment process required a manual request to run the files. As a result, (a) Molina did not process all RUG rate adjustments in compliance with the contract, (b) the nursing facilities were not paid correct Medicaid-funded RUG rates for certain Molina claims, and (c) related encounters were not adjusted as required. An analysis by OIG determined that Molina processed 556 (71.1 percent) of the identified RUG adjustments in the amount of $586,162.37. As of January 16, 2020, Molina had not processed the remaining 226 (28.9 percent) retroactive RUG adjustments, with an expected net recovery of

[6] Uniform Managed Care Contract, Attachment B-1, §§ 8.3.9.4 and 8.3.9.5, v. 2.24 (Sept. 1, 2017) through v. 2.25.1 (July 1, 2018).

$315,023.30, which includes adjustments expected to reduce prior payments by $328,473.08 and adjustments expected to increase prior payments by $13,449.78.

A further review of data as of August 2020 indicated that Molina was making progress toward processing its outstanding RUG adjustments.

## Recommendation 1

Molina should:

- Ensure the effectiveness of its weekly automatic process to identify and complete all retroactive RUG rate adjustments within 30 days of the HHS SAS notice.

- Identify and process remaining retroactive RUG rate adjustments included in SAS notifications highlighted in the OIG analysis.

## Management Response

Action Plan

*Molina Healthcare of Texas implemented an auto-adjustment process with the initial carve-in of nursing facilities in March 2015. The purpose of the auto-adjustment process is to identify and process payment adjustments due to SAS data changes. The Molina auto-adjustment process was dependent on a manual request for the data files to be run, which resulted in occasions when SAS data changes were not reprocessed within the 30-day time frame. Molina recognized the inconsistency of the time frames of running the auto-adjustment process, thus implemented in a weekly process. The weekly process has been automated and is not dependent on a manual request. This conversion to a weekly automated process will continue to improve Molina's timeliness and accuracy of processing SAS data changes. Molina has implemented the internal controls between the Nursing Facility Operations Team and the Claims Processing Team to ensure that nursing facilities are paid timely and accurately for the services they render to our members.*

*Molina has already begun the identification and re-processing of the remaining retroactive RUG rate adjustments included in the SAS notification highlighted in the OIG analysis. While some claims are clearly in need of reprocessing, others have been submitted to the OIG for further review and clarification as mentioned previously. The VP of Long-Term Care Operations will work directly with the Claims Team to ensure the identified adjustments are re-processed.*

Responsible Manager

*Vice President of Long-Term Care Operations*

Implementation

*Completed*

## Issue 2: Molina Did Not Process Other Retroactive Claims Adjustments Timely

Molina did not consistently process other types of claims adjustments within required timelines, which resulted in delayed payments to nursing facilities. The UMCC requires Molina to automatically process payment adjustments within 30 days of receiving a SAS notification from HHSC indicating that an adjustment is needed.[7] In addition, the UMCM requires that MCOs automatically adjust claims for other changes, such as service authorizations and applied income.[8] Processing those adjustments timely is important because those adjustments result in payment increases or decreases to nursing facilities.

Retroactive adjustments to a claim may be needed due to changes in:

- Member eligibility
- Provider status change
- Nursing facility service authorization
- RUG level
- Service level
- Amount of applied income

OIG selected a random sample of 30 adjusted claims from a total of 1,839 nursing facility claims that were paid more than 90 days after the claim was first submitted by the nursing facility. For those 30 claims, Molina adjudicated the clean claims and later received retroactive adjustments from HHSC via SAS notification. Molina eventually identified these retroactive changes and processed the associated payment adjustments. However, Molina did not process adjustments for 13 of the 30 claims (43 percent) tested within 30 days of the HHSC SAS notification as required.

[7] Uniform Managed Care Contract, Attachment B-1, §8.3.9.4, and 8.3.9.5, v. 2.24 (Sept. 1, 2017) through v. 2.25.1 (July 1, 2018).

[8] Uniform Managed Care Manual, Chapter 2.3, Section VIII.A, v. 2.1 (Mar. 1, 2015).

Specifically, of the 13 claims that Molina did not adjust as required:

- 1 claim required adjustment due to a change in eligibility for services in the STAR+PLUS program for the dates of service.
- 6 claims required adjustment due to a retroactive release of a provider hold.
- 2 claims required adjustment due to retroactive nursing facility authorizations for the dates of service.
- 2 claims required adjustment due to retroactive changes in the RUG (service level) of the member.
- 2 claims required adjustment due to a provider billing error that were not processed within 30 days of the corrected billing receipt date.

Molina stated that these delays occurred because its auto-adjustment process required a manual request to run the files. Due to the inconsistency of running the manual request, certain adjustments were not identified during the period. As a result, payments for those 13 claims, which totaled $16,540.29, were delayed between 31 and 622 days.

## Recommendation 2

Molina should ensure its weekly automatic process effectively identifies and processes all retroactive payment adjustments within 30 days of an HHSC SAS notice.

## Management Response

Action Plan

*The weekly process has been automated and is not dependent on a manual request. This conversion to a weekly automated process will continue to improve Molina's timeliness and accuracy of processing SAS data changes. Molina has implemented the internal controls between the Nursing Facility Operations Team and the Claims Processing Team to assure that nursing facilities are paid timely and accurately for the services they render to our members. The VP of Long-Term Care Operations is responsible to monitor both teams to assure continued success with the auto-adjustment process.*

Responsible Manager

*Vice President of Long-Term Care Operation*

Implementation

*Completed*

# CONCLUSION

Molina adjudicated and paid most clean claims accurately and timely. Additionally, based on self-reported information, Molina adjudicated an average of 99.8 percent of clean claims within 10 days in calendar year 2018 and met the clean claim adjudicated timeframe as required by the UMCC. However, Molina did not process all retroactive adjustments as required by contract. Specifically, Molina did not:

- Make required RUG rate adjustments. As of January 16, 2020, Molina had processed 556 (71.1 percent) of the identified RUG adjustments in the amount of $586,162.37. Molina had not processed the remaining 226 (28.9 percent) retroactive RUG adjustments with an expected net recovery of $315,023.30. As a result, nursing facilities were not paid correctly, and related encounters were not adjusted.

- Retroactively process 13 of 30 payment adjustments tested (43 percent) within 30 days of the HHSC SAS notification, as contractually required. The delayed payment amount for those 13 claims totaled $16,540.29.

The OIG Audit and Inspections Division offered recommendations to Molina, which, if implemented, will result in Molina complying with its contractual requirements to automatically identify and process all retroactive adjustments within 30 days of the HHSC SAS notification.

For instances of noncompliance identified in this audit report, MCS may consider tailored contractual remedies to compel Molina to meet contractual requirements related to its nursing facility claims function. In addition, audit findings in this report may be subject to OIG administrative enforcement measures, including administrative penalties.[9,10]

The OIG Audit and Inspections Division thanks management and staff at Molina for their cooperation and assistance during this audit.

[9] 1 Tex. Admin. Code § 371.1603 (May 1, 2016).

[10] Tex. Hum. Res. Code § 32.039 (Apr. 2, 2015).

## Appendix A: Report Team and Distribution

### Report Team

OIG staff members who contributed to this audit report include:

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- Joel A. Brophy, CIA, CFE, CRMA, CICA, Audit Director
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The mission of OIG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of OIG's mission and statutory responsibility includes:

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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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