

# OFFICE OF INSPECTOR GENERAL

## TEXAS HEALTH AND HUMAN SERVICES COMMISSION

### AUDIT OF MEDICAID AND CHIP MCO SPECIAL INVESTIGATIVE UNITS

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*DentaQuest SIU*



August 24, 2016  
IG Report No. IG-16-013



## HHSC IG

TEXAS HEALTH AND HUMAN  
SERVICES COMMISSION

INSPECTOR GENERAL

### WHY THE IG CONDUCTED THIS AUDIT

DentaQuest is a dental maintenance organization, and is one of 22 managed care organizations (MCO) contracted to provide Medicaid and CHIP health care services in Texas. Approximately 84 percent of Medicaid and CHIP enrollees are members of an MCO. At nearly \$27 billion a year, the Medicaid and CHIP programs constitute over 27 percent of the total Texas budget.

MCOs are required to establish a special investigative unit (SIU) to investigate fraud, waste, and abuse. Effective SIUs are essential to support overall MCO cost containment efforts and to ensure the appropriate use of state and federal funds.

The Texas Health and Human Services Commission is responsible for oversight of MCO contracts. The IG is responsible for approving SIU annual plans, and evaluating and sometimes investigating SIU referrals.

This is one of a series of performance audits to determine how effective selected MCO SIUs are at (a) preventing, detecting, and investigating fraud, waste, and abuse and (b) reporting reliable information on SIU activities, results, and recoveries.

### WHAT THE IG RECOMMENDS

HHSC should require DentaQuest to implement corrective actions to strengthen DentaQuest's SIU fraud, waste, and abuse detection, investigation, and reporting activities.

View [IG-16-013](#)

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## AUDIT OF MEDICAID AND CHIP MCO SPECIAL INVESTIGATIVE UNITS

### *DentaQuest SIU*

### WHAT THE IG FOUND

DentaQuest maintains a contractually required SIU fraud, waste, and abuse plan, but needs to improve its SIU function to comply with the plan and effectively investigate fraud, waste, and abuse.

DentaQuest received approximately \$678.5 million in Medicaid and CHIP capitation payments in 2014, and \$751.1 million in 2015, and paid approximately \$1.2 billion in medical claims dollars. During this two-year period, DentaQuest's SIU recovered only 0.04 percent of its total medical claims dollars.

Year	Medical Claims \$	# of SIU Investigations	SIU Recoveries	# of Referrals to the IG
2014	\$ 589,663,803	42	\$ 289,826	14
2015	\$ 659,708,826	38	\$ 169,000	20
Total	\$1,249,372,629	80	\$ 458,826	34

When conducting full-scale investigations, DentaQuest did not regularly review samples of at least 50 recipients in accordance with regulation. Also, DentaQuest inaccurately reported open investigations to the IG, which hindered IG efforts to monitor and assess DentaQuest's effectiveness in fighting fraud, waste, and abuse.

Some DentaQuest employees were not trained within required timeframes, which may have contributed to a lack of knowledge necessary to prevent, detect, and report suspected fraud, waste, and abuse.

DentaQuest investigations stemming from data analytics resulted in significantly higher average recoveries than investigations initiated by other sources. However, DentaQuest did not document changes to its data analytics software in accordance with its change management process and best practices. Software changes that are not documented could introduce unauthorized changes to data analytics algorithms.

Until DentaQuest increases the scope and effectiveness of its SIU investigation and detection activities, HHSC does not have assurance that DentaQuest is maintaining an effective SIU that successfully guards against losses due to fraud, waste, and abuse.

The HHSC Medicaid/CHIP Division concurred with the IG Audit Division recommendations outlined in this report, and will facilitate DentaQuest's development of a corrective action plan designed to improve DentaQuest's SIU function.

The IG Audit Division will continue to publish reports during its ongoing audit of Medicaid and CHIP SIUs as it completes audit testing and validation for selected MCOs.

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# INTRODUCTION

The Texas Health and Human Services Commission (HHSC) Inspector General (IG) Audit Division is conducting an audit of Medicaid and Children’s Health Insurance Program (CHIP) special investigative units (SIUs). The objective of the audit is to evaluate the effectiveness of managed care organization (MCO) SIU performance in (a) preventing, detecting, and investigating fraud, waste, and abuse and (b) reporting reliable information on SIU activities, results, and recoveries to HHSC. The audit includes state fiscal years 2014 and 2015, which covers the period from September 2013 through August 2015, and includes a review of relevant SIU activities through the end of fieldwork in May 2016.

This audit report is one of a series of reports on MCO SIUs. The first was an informational report that provided background, context, and a compilation of information provided by the 22 Texas Medicaid and CHIP MCOs.<sup>1</sup> This audit report is focused on SIU activities at DentaQuest. The IG Audit Division will continue to release audit reports for selected MCO SIUs as the audit proceeds.

## ***Background***

DentaQuest is a licensed Texas dental maintenance organization<sup>2</sup> contracted to provide Medicaid and CHIP dental services through its network of providers. DentaQuest is one of two dental maintenance organizations in the state of Texas that coordinates dental services for youth aged 20 and under. DentaQuest coordinates dental care through the Children’s Health Insurance Program (CHIP) and the Medicaid State of Texas Access Reform (STAR) program.

Dental maintenance organizations may also act as subcontractors, providing dental benefits to members<sup>3</sup> of other MCOs. DentaQuest subcontracts with Amerigroup Texas, Superior Health Plan, and Cigna-HealthSpring to provide dental benefits to their members.

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<sup>1</sup> An MCO is an organization that delivers and manages health care services under a risk-based arrangement. The MCO receives a monthly premium or capitation payment for each managed care member enrolled, based on a projection of what health care for the typical individual would cost. If members’ health care costs more, the MCO may suffer losses. If members’ health care costs less, the MCO may profit. This gives the MCO an incentive to control costs. In this report, health plans, dental maintenance organizations, and behavioral health organizations are collectively referred to as MCOs.

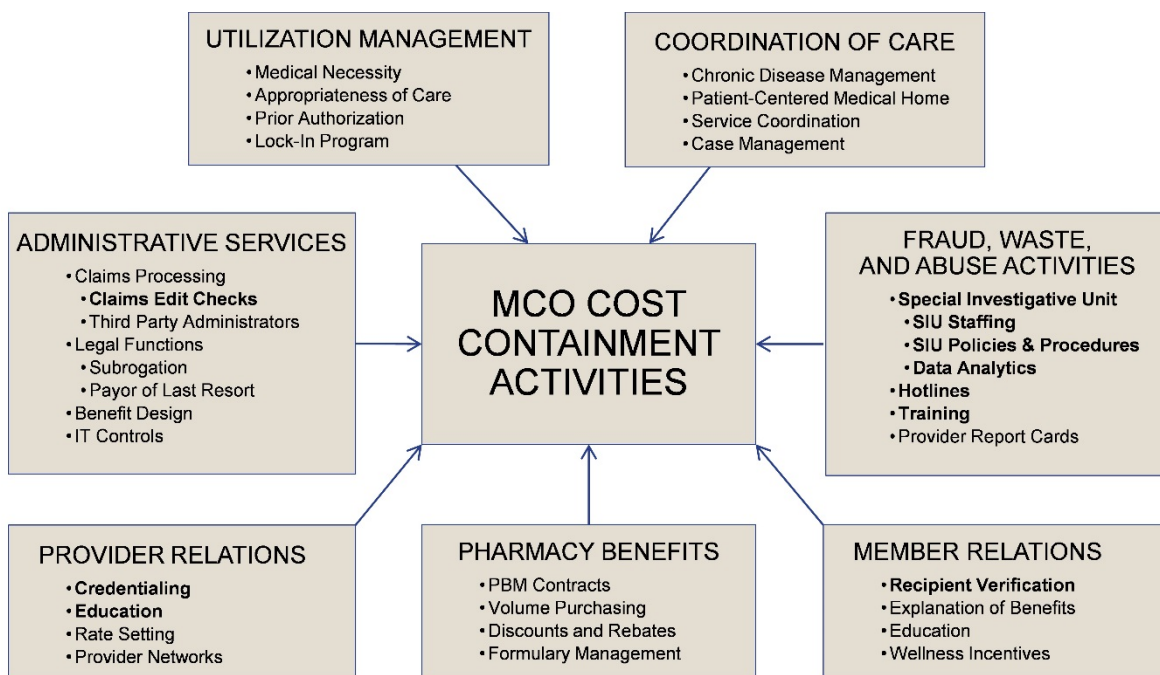
<sup>2</sup> A “dental maintenance organization” is a type of MCO. MCOs also include health plans and behavioral health organizations.

<sup>3</sup> MCOs refer to enrollees as “members.” An “enrollee” is an individual who is eligible for Medicaid or CHIP services and is enrolled in an MCO either as a subscriber or a dependent.

HHSC requires MCOs to establish and maintain an SIU to investigate potential fraud, waste, and abuse by members and health care service providers.<sup>4</sup> An MCO may contract with an outside organization to perform all or part of the activities associated with the SIU. DentaQuest utilizes internal staff to perform the SIU function.

SIUs support MCO efforts at cost containment through the prevention and detection of fraud, waste, and abuse. MCOs maintain many functions and activities outside of the SIU to control costs, and SIUs may conduct activities that relate to other business areas of the MCO besides Medicaid and CHIP. As a result, the functional and organizational structure of cost containment activities varies across MCOs. Figure 1 below provides a partial overview of the many types of activities MCOs employ to help reduce costs and minimize fraud, waste, and abuse. This information is not meant to represent a complete set of activities, nor does it represent the structure of the business units at DentaQuest or any other specific MCO.

**Figure 1. MCO Functions and Activities Related to Cost Containment**



Source: IG Audit Division

<sup>4</sup> Uniform Managed Care Contract, Special Investigative Units, Section 8.1.19.1, Version 2.6 (September 1, 2013) through Version 2.16 (September 1, 2015).

The activities in bold in Figure 1 indicate some of the areas of focus of this audit. This performance audit evaluated DentaQuest's SIU efforts related to:

- Prevention processes, such as the organizational code of ethics, credentialing and re-credentialing, exclusion verification, and fraud, waste, and abuse training.
- Detection activities, such as complex data analysis, periodic provider audits, intake of fraud referrals, and verification that recipients received billed services.
- Investigation efforts, such as conducting preliminary investigations and SIU case management.
- Disposition of fraud, waste, and abuse investigations, including referrals to the IG, corrective action plans, and monetary recovery.
- Reporting of SIU activities to the IG, including a monthly report of ongoing investigations and annual reporting of SIU recoveries.

Texas Health and Human Services (HHS) agencies administer public health programs for the State of Texas. Within HHS, the HHSC Medicaid/CHIP Division oversees Medicaid and CHIP, which are jointly funded state-federal programs that provide medical coverage to eligible individuals. In 2013, there were approximately 4.3 million individuals enrolled in Medicaid or CHIP.<sup>5</sup>

The HHSC Medicaid/CHIP Division is responsible for overall management and monitoring of the contract with DentaQuest. The IG is responsible for approving DentaQuest's annual fraud, waste, and abuse plan,<sup>6</sup> and evaluating and sometimes investigating any fraud referrals it receives from DentaQuest. DentaQuest is required by its contract to refer suspected fraud, waste, and abuse to the IG. When the IG determines it will not pursue an SIU referral, DentaQuest is responsible for recovery of any Medicaid and CHIP overpayments associated with the referral.

Medicaid serves primarily low-income families, children, related caretakers of dependent children, pregnant women, people age 65 and older, and adults and children with disabilities. CHIP provides health coverage to low-income, uninsured children in families with incomes too high to qualify for Medicaid. In federal fiscal year 2013, Texas spent \$26.8 billion on Medicaid and CHIP. This represented 27 percent of the entire 2013 Texas state budget.<sup>7</sup>

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<sup>5</sup> This is the 2013 average monthly number of enrollees in Medicaid and CHIP.

<sup>6</sup> Texas Government Code, Subtitle I, Subchapter C, § 531.113 (September 1, 2003).

<sup>7</sup> Texas Medicaid and CHIP expenditures in 2013 are "all funds" (which include federal and state dollars), but excludes Medicaid funding for Disproportionate Share Hospital, Upper Payment Limit, Uncompensated Care, and Delivery System Reform Incentive Payment funds. Medicaid and CHIP amounts are for the federal fiscal year, and the state budget reflects the state fiscal year which begins one month prior to the federal fiscal year.

Medicaid and CHIP programs deliver health care services (including medical, dental, prescription drug, disability, behavioral health, and long-term support services) to eligible individuals.<sup>8</sup> CHIP provides services to individuals in Texas through a managed care model. Texas Medicaid provides services to some individuals through a traditional fee-for-service model<sup>9</sup>, but most are enrolled through a managed care model.<sup>10</sup> For providing these services, MCOs receive capitation payments, which 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.<sup>11</sup> These payments include federal and state funds.

In 2013, 100 percent of CHIP enrollees were in managed care. Collectively, approximately 84 percent of the combined Medicaid and CHIP populations (3.6 million individuals) were enrolled in managed care.

The IG Audit Division conducted this performance audit of DentaQuest in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Unless otherwise described, any year that is referenced is the state fiscal year, which covers the period from September 1 through August 31.

The IG Audit Division presented audit results, issues, and recommendations to the HHSC Medicaid/CHIP Division and to DentaQuest in a draft report dated August 2, 2016. Each was provided with the opportunity to study and comment on the report. HHSC Medicaid/CHIP Division management responses to the recommendations contained in the report are included in the report following each recommendation. DentaQuest's comments are included in Appendix C. HHSC Medicaid/CHIP Division concurred with the IG Audit Division recommendations, and will facilitate DentaQuest's development of a corrective action plan designed to improve DentaQuest's SIU function.

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<sup>8</sup> DentaQuest's contract with HHSC does not include the provision of medical, disability, behavioral health, or long-term support services.

<sup>9</sup> Medicaid fee-for-service was the original service delivery model for Texas Medicaid introduced in 1967. In this model, enrolled Medicaid providers are reimbursed retrospectively for a Medicaid eligible health care service or services provided to a Medicaid eligible patient.

<sup>10</sup> Medicaid managed care was first introduced in pilot programs in Texas in 1993. In this model, the state contracts with MCOs who contract with Medicaid providers for the delivery of health care services to Medicaid enrollees. MCOs must provide the same services under managed care as provided under the traditional fee-for-service model.

<sup>11</sup> A "risk group" is a group of MCO members that have a similar health status and are expected to have a similar Medicaid or CHIP spending pattern. HHSC applies an acuity risk adjustment to capitation rates to recognize the anticipated cost differential among multiple health plans in a service area due to the variable health status of their respective memberships. Final capitation payments are based on this acuity risk-adjusted premium for each combination of service area and risk group.



## ISSUES AND RECOMMENDATIONS

DentaQuest maintains a fraud, waste, and abuse plan; the fundamental contractual and regulatory SIU requirement for MCOs. The plan describes ways DentaQuest can strengthen program integrity by monitoring service providers, auditing claims, identifying overpayments, and educating members and providers. Though the fraud, waste, and abuse plan is in place, DentaQuest needs to improve the function of its SIU in order to more effectively implement the plan. During this audit, the IG Audit Division evaluated DentaQuest's SIU and identified the following issues:

- The number of recipients sampled for investigations was limited
- Monthly reporting to the IG was not accurate
- Training was not provided in accordance with the fraud, waste, and abuse plan
- Change management processes were not followed

DentaQuest received approximately \$678.5 million in Medicaid and CHIP capitation payments in 2014, and \$751.1 million in 2015. DentaQuest maintained an average monthly membership of 1.4 million Medicaid Dental members during 2014, and 1.6 million during 2015. DentaQuest maintained an average monthly membership of 283,910 CHIP Dental members during 2014, and 190,569 during 2015. Table 1 shows capitation payments by program for 2014 and 2015.

**Table 1: DentaQuest Capitation Payments by Program<sup>12</sup>**

Program	2014	2015	Total
Medicaid Dental	\$ 607,767,613	\$ 699,466,810	\$ 1,307,234,423
CHIP Dental	\$ 70,723,325	\$ 51,615,745	\$ 122,339,070
Total	\$ 678,490,938	\$ 751,082,555	\$ 1,429,573,493

Source: HHSC 2014 Year-End 334-Day FSR and HHSC 2015 Year-End 90-Day FSR

### ***In 2014 and 2015, 80 Investigations Closed and 0.04 Percent of Medical Claims Dollars Recovered***

DentaQuest's SIU closed a total of 80 investigations in 2014 and 2015, 73 of which substantiated an issue related to fraud, waste, or abuse. Of the 80 total investigations, 75 resulted in recoveries totaling approximately \$459,000. These recoveries represent 0.04 percent, or four one-hundredths of one percent, of DentaQuest's total medical claims dollars. DentaQuest also made 14 referrals to the Inspector General in 2014, and 20 referrals in 2015. During the same two-year period, DentaQuest's dental health care providers were paid almost

<sup>12</sup> As a dental maintenance organization, DentaQuest does not receive any delivery supplemental payments.



\$1.3 billion medical claims dollars.<sup>13</sup> Table 2 shows medical claims dollars by year along with the number of SIU investigations, referrals to the IG, and amounts recovered by the SIU.

**Table 2: DentaQuest Medicaid and CHIP Medical Claims and SIU Performance Results**

Year	Medical Claims \$	# of SIU Investigations <sup>14</sup>	SIU Recoveries <sup>15</sup>	Referrals to the IG
2014	\$ 589,663,803	42	\$ 289,826	14
2015	\$ 659,708,826	38	\$ 169,000	20
Total	\$ 1,249,372,629	80	\$ 458,826	34

Source: DentaQuest 2014 Year-End 334-Day FSR and 2015 Year-End 90-Day FSR

### ***Investigations Detected Through Data Analytics Produced Greater Recoveries than Referrals***

DentaQuest utilizes post-payment data analytics to detect fraud, waste, and abuse. Of the 80 investigations completed during the audit period, 58 cases were opened as a result of data analytics. Investigations initiated by data analytics provided higher average recoveries of \$7,494, while investigations in response to referrals<sup>16</sup> averaged \$1,098. Table 3 shows the number of investigations by source and the total and average amounts recovered.

**Table 3: DentaQuest SIU Data Analytics Results**

Source of Investigation	# of Closed Investigations	Total Recoveries	Average Recovery
Referrals	22	\$ 24,152	\$ 1,098
Data Analytics	58	\$ 434,674	\$ 7,494
Total	80	\$ 458,826	\$ 5,735 <sup>17</sup>

Source: DentaQuest Closed Case List

<sup>13</sup> “Medical claims dollars” are the total amounts submitted to MCOs by dental care providers as payment requests for dental services performed. MCOs pay these medical claims as expenses for delivering covered health care services to members. Medical claims dollars include claims with a date of service that falls within the referenced year, and may or may not have been paid during the referenced year. Medical claims dollars for 2014 and 2015 include both medical and pharmacy amounts, but do not include MCO administrative costs. The informational report previously published for this audit did not include pharmacy amounts in medical claims dollars.

<sup>14</sup> This includes the number of investigations closed during the referenced year, regardless of whether they resulted in recoveries during the current or prior years.

<sup>15</sup> This includes the amounts recovered during the referenced year. Investigations may have been opened during the current or prior years.

<sup>16</sup> A referral investigation originates from sources such as hotlines, client referrals, customer service, dental management, network development, peer review, and provider relations.

<sup>17</sup> This figure represents the average of the combined totals, \$458,826 in recoveries divided by 80 closed investigations.

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**Issue 1: SAMPLE SIZES FOR INVESTIGATIONS DID NOT MEET MINIMUM REQUIREMENTS**

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During full-scale investigations, DentaQuest does not regularly request and review samples of at least 50 recipients.<sup>18</sup> During 2014 and 2015, DentaQuest closed 73 full-scale investigations in which it identified issues related to fraud, waste, and abuse. Of the 73 closed investigations, 57 included a review with fewer than 50 recipients.

Texas Administrative Code requires MCOs to select and review a sample of at least 50 recipients during an investigation of suspected fraud, waste, and abuse. Texas Administrative Code states: “The sample must consist of a minimum of 50 recipients or 15% of a provider’s claims related to the suspected waste, abuse, and fraud; provided, however, that if the MCO selects a sample based upon 15% of the claims, the sample must include claims relating to at least 50 recipients.”<sup>19</sup>

DentaQuest management agreed that there have been instances where the sample size was not properly expanded to the minimum 50 required by Texas Administrative Code. DentaQuest management also indicated that its investigations may have smaller sample sizes because:

- The SIU may be looking at a specific combination of criteria, such as a code paired with an age range, with fewer than 50 recipients meeting the criteria.
- The investigations may have originated from a preliminary investigation to verify that a member has received services that were billed. Member verifications may have initial preliminary investigations which include smaller sample sizes.
- Though the issue identified is an example of waste, such as the improper use of a code, education may be the recommendation. Because this is waste rather than fraud or abuse, DentaQuest may not expand the sample to 50 recipients.

Texas Administrative Code requires MCOs to select and review a sample of at least 50 recipients related to the suspected fraud, waste, and abuse. By limiting its sample size, DentaQuest's review was too narrowly focused to find claims patterns and effectively capture potential cases of fraud, waste, and abuse. Limited sample sizes may result in smaller recoveries and fewer referrals to the IG.

Of the 73 investigations closed during the audit period, those with a sample size of fewer than 50 recipients had lower average recoveries of \$5,228 compared to \$9,766 for investigations with at least 50 recipients in the sample. Table 4 shows the number of investigations by sample size and amount of recoveries.

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<sup>18</sup> A “recipient” is an MCO member that has received Medicaid or CHIP services.

<sup>19</sup> Texas Administrative Code, Title 1, Part 15, Chapter 353, Subchapter F, § 353.502(c)(2)(C) (March 1, 2012).

**Table 4: SIU Investigations by Sample Size and Amount Recovered<sup>20</sup>**

Recipients Sampled	# of Closed Investigations	Total Recoveries	Average Recovery
Less than 50	57	\$ 298,004	\$ 5,228
Greater than or Equal to 50	16	\$ 156,253	\$ 9,766
Total	73	\$ 454,257	\$ 6,222 <sup>21</sup>

Source: DentaQuest schedule of closed investigations for September 2013 through August 2015

Although DentaQuest does investigate and recover overpayments, by not expanding the review of claims to at least 50 recipients, DentaQuest is less likely to detect an indicator of fraud, waste, and abuse. DentaQuest's SIU may miss many potential fraud, waste, and abuse cases, and may not identify and recover all potential overpayments. This may lead to smaller recoveries and fewer referrals to the IG.

#### **Recommendation 1**

The HHSC Medicaid/CHIP Division, through its contract oversight responsibility, should require DentaQuest to strengthen its SIU function by expanding the number of recipients reviewed in SIU investigations to provide a greater opportunity to successfully detect, investigate, refer, and recover dollars lost to fraud, waste, and abuse.

The HHSC Medicaid/CHIP Division should consider tailored contractual remedies to compel DentaQuest to effectively perform SIU activities.

#### **HHSC Medicaid/CHIP Division Management Response**

*The Medicaid/CHIP Division is in agreement with the recommendation and will allow DentaQuest ten (10) days from receipt of the final audit report to submit a corrective action plan (CAP) that includes implementation of the following:*

- *Expand the number of recipients reviewed in SIU investigations to provide a greater opportunity to successfully detect, investigate, refer, and recover dollars lost to fraud, waste, and abuse.*

*The Medicaid/CHIP Division expects immediate actions to begin and would allow 90 days for all actions within the CAP to be fully implemented. Monthly updates detailing the status of each milestone will be expected from DentaQuest. Additionally, Medicaid/CHIP Division leadership will consider tailored contractual remedies to compel DentaQuest to effectively perform SIU activities.*

<sup>20</sup> Includes full-scale investigations closed and amounts recovered for sampled cases. Not all cases had recoveries.

<sup>21</sup> This figure represents the average of the combined totals, \$454,257 total recoveries divided by 73 total closed investigations.

*Prior to approving actions within the CAP, the Medicaid/CHIP Division will request the IG Investigations Division perform a joint review of the CAP since it currently reviews MCO SIU plans related to fraud, waste, and abuse.*

*Responsible Individual: Director, Health Plan Management*

*Target Implementation Date: December 2016*

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## **Issue 2: MONTHLY REPORTING TO THE IG WAS NOT CONSISTENTLY ACCURATE**

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DentaQuest is required to send a monthly report of open investigations to the IG. This report was not always accurate. The IG Audit Division compared documentation provided by DentaQuest with information contained in reports submitted to the IG. Of the 30 investigations on both lists, 29 had discrepancies. Discrepancies included (a) differences in start and end dates of investigations reported to the IG and (b) mismatches between the reported source of allegations and the supporting documentation.

The Uniform Managed Care Manual (UMCM) requires MCOs to submit a monthly report of all open and recently completed cases. The UMCM states: “The MCO must submit, using the prescribed OIG template, a monthly open case list report electronically to OIG-Medicaid Provider Integrity and the Office of Attorney General Medicaid Fraud Control Unit (MFCU).”<sup>22</sup>

Texas Administrative Code requires MCOs to report all possible acts of fraud, waste, and abuse to the IG.<sup>23</sup> Inaccurate or imprecise reporting by DentaQuest hinders IG efforts to monitor and measure SIU performance and to fight fraud, waste, and abuse.

### **Recommendation 2**

The HHSC Medicaid/CHIP Division, through its contract oversight responsibility, should require DentaQuest to put corrective actions in place to submit accurate information to the IG monthly.

The HHSC Medicaid/CHIP Division should consider tailored contractual remedies to compel DentaQuest to effectively perform SIU activities.

### **HHSC Medicaid/CHIP Division Management Response**

*The Medicaid/CHIP Division is in agreement with the recommendation and will allow DentaQuest ten (10) days from receipt of the final audit report to submit a corrective action plan (CAP) that includes implementation of the following:*

- *Submit complete and accurate information in the monthly report of open investigations to the IG*

*The Medicaid/CHIP Division expects immediate actions to begin and would allow 90 days for all actions within the CAP to be fully implemented. Monthly updates detailing the status of each milestone will be*

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<sup>22</sup> HHSC Uniform Managed Care Manual, Chapter 5, Consolidated Deliverables Matrix, Deliverable 51, Version 2.3 (January 5, 2015)

<sup>23</sup> Texas Administrative Code, Title 1, Part 15, Chapter 353, Subchapter F, § 353.502(c)(5)(D) (March 1, 2012).

*expected from DentaQuest. Additionally, Medicaid/CHIP Division leadership will consider tailored contractual remedies to compel DentaQuest to effectively perform SIU activities.*

*Prior to approving actions within the CAP, the Medicaid/CHIP Division will request the IG Investigations Division perform a joint review of the CAP since it currently reviews MCO SIU plans related to fraud, waste, and abuse.*

*Responsible Individual: Director, Health Plan Management*

*Target Implementation Date: December 2016*

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**Issue 3: TRAINING WAS NOT PROVIDED IN ACCORDANCE WITH THE FRAUD, WASTE, AND ABUSE PLAN**

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DentaQuest employees did not receive fraud, waste, and abuse training, as required by Texas regulation and DentaQuest's fraud, waste, and abuse plan.<sup>24</sup> The IG Audit Division selected a sample of employees and subcontractors to confirm whether each had received required training. DentaQuest provided evidence that 14 of 32 employees received fraud, waste, and abuse training within 30 days of hire

Texas Administrative Code requires MCOs to maintain a fraud waste, and abuse plan that includes employee training. Although, Texas Administrative Code requires new MCO employees to receive fraud, waste, and abuse training within 90 days of employment,<sup>25</sup> the DentaQuest's fraud, waste, and abuse plan states that new employees will receive this training within 30 days.<sup>26</sup>

Responsible management at DentaQuest indicated that training was not provided in accordance with the fraud, waste, and abuse plan because the 30 day requirement was not communicated to human resources.

The IG Audit Division reviewed fraud, waste, and abuse training attestations submitted by DentaQuest for its five subcontractors. DentaQuest subcontractors are required to annually attest to the completion of mandatory compliance training, one element of which is fraud, waste, and abuse training. The five subcontractors all submitted signed attestations that their employees and subcontractors, if any, have completed annual fraud, waste, and abuse training.

Without training, DentaQuest employees may lack the knowledge and awareness needed to prevent, detect, and report suspected fraud, waste, and abuse to the SIU.

**Recommendation 3**

The HHSC Medicaid/CHIP Division, through its contract oversight responsibility, should require DentaQuest to strengthen its SIU infrastructure by ensuring that employees receive fraud, waste, and abuse training in accordance with its fraud, waste, and abuse plan.

The HHSC Medicaid/CHIP Division should consider tailored contractual remedies to compel DentaQuest to effectively perform SIU activities.

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<sup>24</sup> DentaQuest USA Insurance Company, Inc. Fraud, Waste and Abuse Compliance Plan for Texas Medicaid and CHIP (2014, 2015, 2016).

<sup>25</sup> Texas Administrative Code, Title 1, Part 15, Chapter 353, Subchapter F, § 353.502(c)(6) (March 1, 2012).

<sup>26</sup> DentaQuest USA Insurance Company, Inc. Fraud, Waste and Abuse Compliance Plan for Texas Medicaid and CHIP (2014, 2015, 2016).



**HHSC Medicaid/CHIP Management Response**

*The Medicaid/CHIP Division is in agreement with the recommendation and will allow DentaQuest ten (10) days from receipt of the final audit report to submit a corrective action plan (CAP) that includes implementation of the following:*

- *Ensure that employees receive fraud, waste, and abuse training within thirty days of beginning employment.*
- *Follow existing policies and procedures that require employees to receive fraud, waste, and abuse training annually thereafter.*
- *Develop fraud, waste, and abuse training that is specific and appropriate for the roles and responsibilities of its employees.*

*The Medicaid/CHIP Division expects immediate actions to begin and would allow 90 days for all actions within the CAP to be fully implemented. Monthly updates detailing the status of each milestone will be expected from DentaQuest. Additionally, Medicaid/CHIP Division leadership will consider tailored contractual remedies to compel DentaQuest to effectively perform SIU activities.*

*Prior to approving actions within the CAP, the Medicaid/CHIP Division will request the IG Investigations Division perform a joint review of the CAP since it currently reviews MCO SIU plans related to fraud, waste, and abuse.*

*Responsible Individual: Director, Health Plan Management*

*Target Implementation Date: December 2016*

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**Issue 4: CHANGE MANAGEMENT PROCESSES WERE NOT FOLLOWED**

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Though DentaQuest has made changes to data analytic algorithms that improve its detection of fraud, waste, and abuse, DentaQuest did not document these changes. Specifically, the DentaQuest Business Analytics Change Management Log did not document business owner functionality testing and approvals upon completion of changes to data analytics.

Best practice requires changes to software be tested, approved, and documented prior to implementation. The National Institute of Standards and Technology states: “the organization requires that the integrity of [software managed by business analytics] be verified prior to execution.”<sup>27</sup> These standards are designed to ensure that data analytics produce viable and effective results.

DentaQuest’s SIU relies on data analytics, as required by Texas Administrative Code for investigations of potential fraud, waste, and abuse. Data analytic tools may include the use of automated indicators to help identify abnormal claims patterns.

DentaQuest asserted that documentation was not required because the changes to the algorithms were immaterial. DentaQuest also indicated that changes to its algorithms were not documented because of a lack of communication between the information technology and business intelligence departments.

In order to align with best practices, changes to software are required to be tested, approved, and documented. Failure to adhere to change management practices could introduce unauthorized and undocumented changes to the fraud, waste, and abuse algorithms.

**Recommendations 4.1 - 4.2**

The HHSC Medicaid/CHIP Division, through its contract oversight responsibility, should require DentaQuest to strengthen its SIU infrastructure by:

- 4.1 Requiring a change management program that ensures changes to the algorithms used for data analytics and data matching are documented.
- 4.2 Ensuring that the process owners of the data analytics sign off on any changes made to the algorithms.

The HHSC Medicaid/CHIP Division should consider tailored contractual remedies to compel DentaQuest to effectively perform SIU activities.

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<sup>27</sup> National Institute of Standards and Technology, Special Publication 800-53 (Rev. 4), System and Information Integrity SI -7 (12) (January 22, 2015).

**HHSC Medicaid/CHIP Management Response**

*The Medicaid/CHIP Division is in agreement with the recommendation and will allow DentaQuest ten (10) days from receipt of the final audit report to submit a corrective action plan (CAP) that includes implementation of the following:*

- *Require a change management program that ensures changes to the algorithms used for data analytics and data matching are documented.*
- *Ensure that the process owners of the data analytics sign off on any changes made to the algorithms.*

*The Medicaid/CHIP Division expects immediate actions to begin and would allow 90 days for all actions within the CAP to be fully implemented. Monthly updates detailing the status of each milestone will be expected from DentaQuest. Additionally, Medicaid/CHIP Division leadership will consider tailored contractual remedies to compel DentaQuest to effectively perform SIU activities.*

*Prior to approving actions within the CAP, the Medicaid/CHIP Division will request the IG Investigations Division perform a joint review of the CAP since it currently reviews MCO SIU plans related to fraud, waste, and abuse.*

*Responsible Individual: Director, Health Plan Management*

*Target Implementation Date: December 2016*

## CONCLUSION

The IG Audit Division completed an audit of DentaQuest's SIU performance. The audit included an evaluation of policies and practices associated with preventing, detecting, and investigating and reporting fraud, waste, and abuse. The IG Audit Division conducted a site visit from March 21, 2016 through March 25, 2016 at a DentaQuest facility in Mequon, Wisconsin.

HHSC and DentaQuest share accountability for ensuring that state and federal dollars are used to deliver cost-effective health care services to eligible Medicaid and CHIP enrollees. An effective SIU function is essential to ensure that:

- State and federal funds spent on managed care are used appropriately.
- Suspected fraud is detected, investigated, and when substantiated, reported to the IG or the Office of Attorney General's Medicaid Fraud Control Unit.
- Funds lost to fraud, waste, and abuse are recovered and reported to HHSC.
- Capitation rates established for Medicaid and CHIP accurately reflect the cost of providing health care services to eligible beneficiaries.

Based on the results of its audit of DentaQuest's SIU, the IG Audit Division concluded that:

- SIU investigations resulted in limited recoveries.
- Data analytics was a significant source of SIU investigations and resulted in higher recoveries than investigations originating from referrals.
- DentaQuest did not submit accurate monthly reports and utilized limited sample sizes for investigations.
- Employee training and change management procedures were not followed.

The IG Audit Division offered recommendations to the HHSC Medicaid/CHIP Division which, if implemented, will:

- Increase the scope of the SIU investigations, providing greater opportunity to successfully detect, investigate, refer and recover fraud, waste, and abuse.
- Result in monthly reporting to the IG that accurately reflects SIU fraud, waste, and abuse detection and investigation activities.
- Increase employee knowledge and awareness of fraud, waste, and abuse to improve the frequency of prevention and detection.
- Ensure that changes to the SIU's data analytics are tested, approved, and documented in accordance with change management policies and best practices.

The IG Audit Division thanks management and staff at the HHSC Medicaid/CHIP Division and at DentaQuest for their cooperation and assistance during this audit.

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## Appendix A: OBJECTIVE, SCOPE, AND METHODOLOGY

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### ***Objective***

The objective of the audit was to evaluate the effectiveness of DentaQuest's SIU performance in (a) preventing, detecting, and investigating fraud, waste, and abuse and (b) reporting reliable information on SIU activities, results, and recoveries to HHSC.

### ***Scope***

The scope of the performance audit of the DentaQuest SIU included the period of September 2013 through August 2015 as well as review of relevant SIU activities through the end of fieldwork in May 2016. The scope of this audit included review of:

- Contractor and subcontractor processes and activities that support SIU fraud, waste, and abuse plans.
- Policies and practices supporting the prevention, detection, investigation, and recovery activities of the SIU.
- Policies and practices supporting the reporting of SIU activities and results to HHSC.
- Data and information technology systems that support SIU processes and reporting.

### ***Methodology***

To accomplish its objective, the IG Audit Division collected information for this audit through discussions and interviews with responsible management at DentaQuest, and through request and review of the following information from DentaQuest:

- A description of the SIU function and organizational structure.
- A list of SIU employees, including their names, titles, and a description of their qualifications.
- Policies and practices associated with prevention and detection of fraud, waste, and abuse.
- Data related to SIU performance, including investigations, recoveries, and referrals in 2014 and 2015.
- A description and flowchart of the SIU investigation process.
- Data and information systems that support the SIU activities and data processing necessary to produce reports for submission to HHSC.
- A list and a description of each automated process or control in place to detect fraud, waste, and abuse.

The IG Audit Division issued an engagement letter to DentaQuest providing information about the SIU audit, and conducted fieldwork at DentaQuest's facility in Mequon, Wisconsin from March 21, 2016 through March 25, 2016. While on-site, the IG Audit Division interviewed responsible SIU personnel, evaluated policies and practices relevant to the SIU function, and reviewed relevant SIU activities, including those related to prevention, detection, investigation, disposition, and reporting.

While at DentaQuest's facility, the IG Audit Division reviewed and copied documentation and records related to the SIU function. No original records were removed from DentaQuest's premises. Upon request, DentaQuest sent additional documents that were requested during the audit, but were not available during the on-site review, to the IG Audit Division offices for review.

Professional judgment was exercised in planning, executing, and reporting the results of this audit. The IG Audit Division used the following criteria to evaluate the information provided:

- DentaQuest Fraud, Waste, and Abuse Compliance Plan
- DentaQuest SIU Policies and Procedures
- Uniform Managed Care Manual
- Uniform Managed Care Contract Terms and Conditions
- Texas Administrative Code
- Texas Government Code
- Code of Federal Regulations
- National Institute of Standards and Technology, Special Publication 800-53

The IG Audit Division reviewed the SIU data and reports produced by the claims management system at DentaQuest. The IG Audit Division determined that the data was sufficiently reliable for the purposes of the audit. In order to make this determination, the IG Audit Division:

- Interviewed MCO officials knowledgeable about the data.
- Reviewed existing information about the data and related IT systems.
- Reviewed the access management process for appropriateness.
- Validated that the queries and parameters used to produce SIU reports were appropriately modified.

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



Audit Division believes that the evidence obtained provides a reasonable basis for the issues and conclusions based on audit objectives.

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## Appendix B: SAMPLING METHODOLOGY

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The IG Audit Division examined SIU activities for the period from September 2013 through August 2015. After an initial assessment of risk across SIU activities and contractor performance outcomes, the IG Audit Division performed testing from the population of DentaQuest employees, subcontractors, and providers.

### ***DentaQuest Employee and Subcontractor Training***

The IG Audit Division conducted sample testing in order to assess whether DentaQuest employees had received annual fraud, waste, and abuse training required by Texas Administrative Code. The IG Audit Division selected a simple random sample<sup>28</sup> using a random number generator. The sample size of employees included 50 employees from the total population of 270 DentaQuest staff with Texas Medicaid responsibilities who were employed at any time during the two-year audit period. DentaQuest utilized 5 subcontractors during the audit period, and the IG Audit Division selected 100 percent of subcontractors to review whether fraud, waste, and abuse training was provided.

The IG Audit Division evaluated whether the sample of DentaQuest employees received required annual fraud, waste, and abuse training by reviewing certificates that had been awarded to employees upon completion of training. For subcontractors, the IG Audit Division evaluated documentation submitted by DentaQuest relevant to subcontractor fraud, waste, and abuse training.

### ***DentaQuest Provider Credentialing***

The IG Audit Division conducted sample testing to assess whether the provider credentialing process was conducted on a timely basis. The IG Audit Division selected a simple random sample using a random number generator. The sample size included 50 providers from the total population of 4,420 unique STAR and CHIP providers enrolled with DentaQuest during the two-year audit period.

The IG Audit Division assessed whether the provider credentialing process was conducted on a timely basis by reviewing the sampled providers' credentialing files to verify that the credentialing process was completed prior to their addition to the DentaQuest network, and that re-credentialing was completed at least once every three years thereafter.

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<sup>28</sup> Random sampling is a method by which every element in the population has an equal chance of being selected.

***DentaQuest SIU Investigations***

The IG Audit Division conducted sample testing to assess whether the SIU investigations were conducted according to statutory and fraud, waste, and abuse plan requirements and on a timely basis. The IG Audit Division selected a simple random sample using a random number generator. The sample size included 25 investigations from the total population of 42 cases of potential fraud, waste, and abuse referred to DentaQuest during the audit period. The IG Audit Division judgmentally<sup>29</sup> selected another three investigations in order to cover the full range of sources of investigations. Investigation sources included referrals from the hotlines, clients, customer service, dental management, network development, peer review, and provider relations

The IG Audit Division assessed the investigation process by reviewing each investigation file to verify that key elements of the investigation took place, and that both the reporting and referral elements were complete, accurate, and timely.

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<sup>29</sup> Judgmental sampling is a non-probability sampling method where the auditor selects the sample based on certain characteristics, such as dollar amount, timeframe, or type of transaction.

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## Appendix C: DENTAQUEST COMMENTS

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Steve Sizemore, Audit Director  
Inspector General – Texas Health and Human Services Corporation  
11501 Burnet Road, Bldg. 902  
MC: 1310, Office: 503  
Austin, TX 78758

August 15, 2016

RE: HHSC IG Audit – DentaQuest Special Investigations Unit

Dear Mr. Sizemore,

Thank you for the opportunity to respond to HHSC IG's important review of MCO/DMO fraud, waste and abuse enforcement initiatives. Consistent with your audit objective, DentaQuest believes it has an effective program in preventing, detecting, and investigating fraud, waste and abuse; and in appropriately reporting its activities to HHSC IG.

### **Introduction**

Initially, DentaQuest recognizes that the vast majority of Texas dental providers deliver quality services that are appropriately coded and billed. For those providers that do administer substandard care or commit acts of fraud, waste and abuse (FWA), we understand the extent of the harm imposed on both the program and HHSC members. As one of the nation's largest and most successful dental administrators, DentaQuest has more than thirty years of developing and implementing intelligent analytics that help to ensure the highest level of program integrity. Accordingly, even before the commencement of this audit, DentaQuest had taken several steps to be at the forefront of FWA prevention and enforcement. These initiatives include the implementation of:

- (1) a comprehensive Pre-Payment FWA Edit Program that blocks reimbursement for inappropriately billed services;
- (2) a multi-layer Pre-Payment Record Review Program that confirms that services are clinically necessary; and,
- (3) a robust Compliance Anti-FWA plan that utilizes the Special Investigations Unit (SIU) to perform retrospective audits that lead to recoveries and referrals to HHSC IG.

Together, these pre-payment prevention and investigation initiatives save much more than the sole dollars attributed to retrospective auditing, and are believed to be in line with expectations for FWA savings.

It is important to note that the SIU reports to the highest management level within DentaQuest and to its Board. The investigative team is led by a highly experienced Clinical Management team and by a former Medicaid fraud prosecutor who is Chairman of the National Health Care Anti-Fraud Association.

**The Audit**

In response to the IG's findings, DentaQuest provides this detailed response to the issues and recommendations included in the August 2<sup>nd</sup> SIU FWA report:

**Issue 1:** Sample sizes for investigations did not meet minimum requirements. DentaQuest does not regularly request and review 50 recipient records.

HHSC IG Recommendation: DentaQuest should expand the number of records reviewed in investigations to provide a greater opportunity to successfully detect, investigate, refer, and recover dollars lost to fraud, waste, and abuse.

DentaQuest Response: DentaQuest agrees with the auditor's recommendation and acknowledges that not all investigated cases included a review of the minimum amount of records required. Based upon our review of the cases sampled, we do not believe the enforcement action implemented by DentaQuest in each case was impacted by its decision to review less than 50 records. DentaQuest has initiated immediate action steps in compliance with TAC Title 1 Part 15, Chapter 353, Subchapter F 353.502, to ensure that the required number of records will be requested and reviewed in all investigations in which a potential FWA issue is identified.

**Issue 2:** Monthly reporting to the IG was not accurate. Discrepancies included differences in start and end dates of investigations and the source of the allegation within case files.

HHSC IG Recommendation: DentaQuest should establish a corrective action plan to ensure accurate information is submitted monthly to the IG.

DentaQuest Response: DentaQuest agrees with the auditor's recommendation and acknowledges that monthly reporting was not always accurate. DentaQuest has initiated immediate action steps to ensure that all of the required fields within the monthly report, specifically, the start and end dates of investigations and the source of the allegation contain consistent and accurate information. These action steps include implementing an internal corrective action plan that specifically outlines internal procedure changes designed to reinforce the accuracy of these two fields. Additionally, the investigative staff has already been trained, and a schedule for monitoring compliance has been implemented so that all reporting is accurate and reliable.

**Issue 3:** Training was not provided in accordance with the fraud, waste, and abuse plan.

HHSC IG Recommendation: DentaQuest should strengthen its infrastructure to ensure that employees receive FWA training within thirty days of employment and develop specific and appropriate training for their roles and responsibilities.

DentaQuest Response: DentaQuest agrees with the auditor's findings on new hire training as updated through various discussions with the auditors. As such, DentaQuest agrees to integrate the Auditors' recommendation, as it relates to ensuring that employees receive fraud, waste, and abuse training within thirty days of beginning employment. DentaQuest agrees to develop more specific FWA training for appropriate roles and responsibilities of its employees.

**Issue 4:** Change management processes were not followed.

HHSC IG Recommendation: DentaQuest should strengthen its infrastructure to require that its change management program ensures that changes to the algorithms used for data analytics and data matching are documented; and that the process owners of the data analytics sign off on any changes made to algorithms.

DentaQuest Response: DentaQuest agrees with the Auditor's finding that the DentaQuest Change Management program expand to include algorithmic changes used for data analytics, and that such changes shall be documented and approved by management. Upon review of the transactions in question, DentaQuest due diligence found that risk of harm was mitigated by existing assurances in the form of compensating controls during the audit period. This included the following key controls:

- Continuous real-time security monitoring that looks for anomalous activity on critical IT infrastructure.
- Correlation of anomalous activity against known threats.
- File Integrity Monitoring detective controls that look for changes to critical IT infrastructure where notice is provided to management of any security risks.

In accordance with the Auditor's recommendation, DentaQuest has integrated such recommendations into its Change Control Board Review process. This rigorous and comprehensive process includes a description of all changes made to algorithms, documentation of such changes, and management review and approval for all changes.

#### **Conclusion**

DentaQuest acknowledges the professionalism of the IG Audit staff throughout the audit process and their willingness to engage our audit response staff with thoughtful ideas for improving our program. We strongly believe in working collaboratively with the Texas provider community, and with HHSC IG to protect both the financial integrity of the program and Texas Medicaid members.

Nicholas J Messuri  
Vice President, Fraud Prevention & Recovery  
DentaQuest

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## **Appendix D: REPORT TEAM AND REPORT DISTRIBUTION**

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### ***Report Team***

The IG staff members who contributed to this audit report include:

- Steve Sizemore, CIA, CISA, CGAP, Audit Director
- Hilary Evbayiro, CPA, Audit Manager
- Jeff Jones, CPA, CIGA, Audit Project Manager
- Netza Gonzalez, MBA, MSM, CISA, CFE, IT Audit Project Manager
- Babatunde Sobanjo, Senior Auditor
- Jude Ugwu, CFE, CRMA, Senior Auditor
- JoNell Abrams, Staff Auditor
- Angelica Villafuerte, Staff Auditor
- Sarah Warfel, Staff IT Auditor
- Lorraine Chavana, Quality Assurance Reviewer
- Scott Miller, Senior Audit Operations Analyst

### ***Report Distribution***

#### **Health and Human Services Commission**

- Charles Smith, Executive Commissioner
- Cecile Erwin Young, Chief Deputy Executive Commissioner
- Kara Crawford, Chief of Staff
- Gary Jessee, Associate Commissioner for Medicaid and CHIP
- Karin Hill, Director of Internal Audit

#### **DentaQuest**

- Steve Pollock, President and Chief Executive Officer
- Ronald Price, Chief Compliance and Privacy Officer
- Nicholas Messuri, Vice President and Deputy General Counsel for Fraud Prevention and Recovery



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## Appendix E: IG MISSION AND CONTACT INFORMATION

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### ***Inspector General Mission***

The mission of the IG 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 the IG's mission and statutory responsibility includes:

- Stuart W. Bowen, Jr.                      Inspector General
- Sylvia Hernandez Kauffman            Principal Deputy IG
- Christine Maldonado                  Chief of Staff and Deputy IG for Operations
- Frank Bryan                              Counselor to the IG
- Quinton Arnold                         Senior Advisor and  
Deputy IG for Inspections and Evaluations
- David Griffith                          Deputy IG for Audit
- James Crowley                         Deputy IG for Investigations
- Cynthia Reyna                         Chief Counsel

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### ***To Contact the Inspector General***

- Email:                                    [OIGCommunications@hhsc.state.tx.us](mailto:OIGCommunications@hhsc.state.tx.us)
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