OFFICE OF INSPECTOR GENERAL

TEXAS HEALTH AND HUMAN SERVICES COMMISSION

AUDIT OF MEDICAID AND CHIP MCO SPECIAL INVESTIGATIVE UNITS

Texas Managed Care Organizations Report Wide Variation in Fraud, Waste, and Abuse Detection and Recovery

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WHY IG IS CONDUCTING THIS AUDIT

At approximately $27 billion a year, the Medicaid and CHIP programs constitute over 26 percent of the total Texas budget. Approximately 84 percent of individuals enrolled in Medicaid or CHIP are members of a managed care organization (MCO).

MCOs are required to establish a special investigative unit (SIU) to investigate fraudulent claims and other program waste and abuse by members and service providers. Effective SIUs are essential to ensuring that state and federal funds spent on managed care are used appropriately.

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

The IG Audit Division is currently conducting a performance audit to determine how effective the MCO SIUs are at (a) preventing, detecting, and investigating fraud, waste, and abuse and (b) reporting reliable information on SIU activities, results, and recoveries.

THIS INFORMATIONAL REPORT

This informational report, which is not an audit report under generally accepted government auditing standards, contains IG Audit Division's compilation and analysis of non-audited information submitted by MCOs and non-audited information from other federal and state sources.

View **IG-16-010**

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WHAT IG FOUND

MCOs produce limited results in their SIU fraud, waste, and abuse detection, investigation, recovery, and referral efforts. MCOs in Texas received over $17 billion in Medicaid and CHIP capitation payments in 2015, and their health care providers submitted approximately $12.5 billion in medical claims for services provided in 2015. In the same year, MCO SIUs reported a total of only $2.5 million in recoveries, about two hundredths of one percent of total aggregate medical claims dollars. This was down from three hundredths of one percent in the previous year.

Year	Total Medical Claims	Total Recoveries	Recoveries as % of Medical Claims
2014	$ 11,734,344,625	$ 3,883,525	0.03%
2015	$ 12,508,070,928	$ 2,479,941	0.02%

National studies indicate that fraud represents at least 3 percent of medical costs in the United States, while fraud, waste, and abuse collectively represent at least 20 percent of medical costs.

Though SIU results varied in 2015, each one of the 22 MCO SIUs recovered far less than one percent of medical claims dollars. Most MCOs reported less than $20,000 in recoveries per full-time equivalent (FTE) personnel assigned to the SIU, and most reported less than $40,000 in total referrals to IG Investigations in 2015. Three MCOs did not recover or refer any dollars in 2015.

The highest performing SIU in 2015, through its efforts to combat fraud, waste, and abuse, recovered or referred to IG Investigations less than one half of one percent of the MCO's Medicaid and CHIP medical claims dollars.

There is a wide variation in MCO personnel resources committed to the SIU function. For example, MCOs reported a range from less than one FTE allocated to SIU activities to a single MCO that reported over 11 SIU FTEs. MCOs ranged from one SIU FTE for every $6.3 million in capitation payments to one FTE for every $1.5 billion, with an average of one SIU FTE for every $266 million.

MCO reported information indicates no apparent correlation between the referral and recovery results produced by SIUs and the personnel resources committed to the SIU function.

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

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INTRODUCTION

The 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, for state fiscal years 2014 and 2015, which covers the period from September 2013 through August 2015.

The audit is in the planning phase, and as part of audit planning, the IG Audit Division requested information from the MCOs about their SIU functions. The MCOs responded to the request for information, and while the IG Audit Division has not performed audit test work to validate the information the MCOs provided, the IG Audit Division is reporting a compilation of that information in this informational report. This report provides background; data; IG Audit Division's initial observations of fraud, waste, and abuse detection, investigation, recovery, and referral activities performed by SIUs; and provides context for upcoming audit reports the IG Audit Division will issue as the audit proceeds.

Background

Contracted MCOs[1] are responsible for administering, on behalf of the State of Texas, billions of dollars of Medicaid and CHIP health care services each year through their health plans. The contracts[2] require MCOs to establish SIUs to investigate potential fraud, waste, and abuse by members[3] and health care service providers, and to refer suspected fraud, waste, and abuse to IG. MCOs may contract with an outside organization to perform all or part of the activities associated with SIU functions. When IG determines it will not pursue an SIU referral, the MCO is responsible for recovery of any Medicaid and CHIP overpayments associated with the referral.

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[1] Throughout this report, health plans, dental maintenance organizations, and behavioral health organizations are collectively referred to as MCOs. 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.

[2] Uniform Managed Care Contracts

[3] 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.

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.[4]

All but one of the 22 MCOs included in this report contract with HHSC. One MCO, ValueOptions, contracts with the Texas Department of State Health Services (DSHS). The HHSC Medicaid/CHIP Division and the DSHS Mental Health and Substance Abuse Services Division are responsible for overall management and monitoring of MCO contracts. IG is responsible[5] for approving all annual SIU fraud, waste, and abuse plans, and evaluating and sometimes investigating SIU fraud referrals.

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.[6]

Medicaid and CHIP programs deliver health care services (including medical, dental, prescription drug, disability, behavioral health, and long-term support services) to eligible individuals. 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[7], but most are enrolled through a managed care model[8]. For providing these services, MCOs receive capitation payments, which are monthly prospective payments HHSC makes to MCOs for the provision of covered services during the referenced year. HHSC makes

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[4] This is the 2013 average monthly number of enrollees in Medicaid and CHIP.

[5] Pursuant to Chapter 531, Subchapter C, Government Code, §531.113.

[6] 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.

[7] 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.

[8] 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.

capitation payments to MCOs at fixed, per member, per month, rates based on the members' associated risk group.[9] These payments include federal and state funds. In 2013, MCOs received about $12 billion in capitation payments.

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.

Planned Audit Reports

The IG Audit Division will publish audit reports during its audit of Medicaid and CHIP MCO SIUs once it enters the fieldwork stage of the audit and completes audit testing and validation for selected MCOs. Future reports will follow the *Government Auditing Standards* issued by the Comptroller General of the United States.

This Informational Report

This informational report, which is not an audit report under generally accepted government auditing standards, contains the IG Audit Division's compilation and analysis of non-audited information submitted by MCOs and non-audited information from other sources.

Throughout this informational report, MCOs are referenced by abbreviated names. Appendix B contains each MCO's full company name and the associated abbreviations used in this report. Unless otherwise described, any year that is referenced is the state fiscal year, which covers the period from September 1 through August 31.

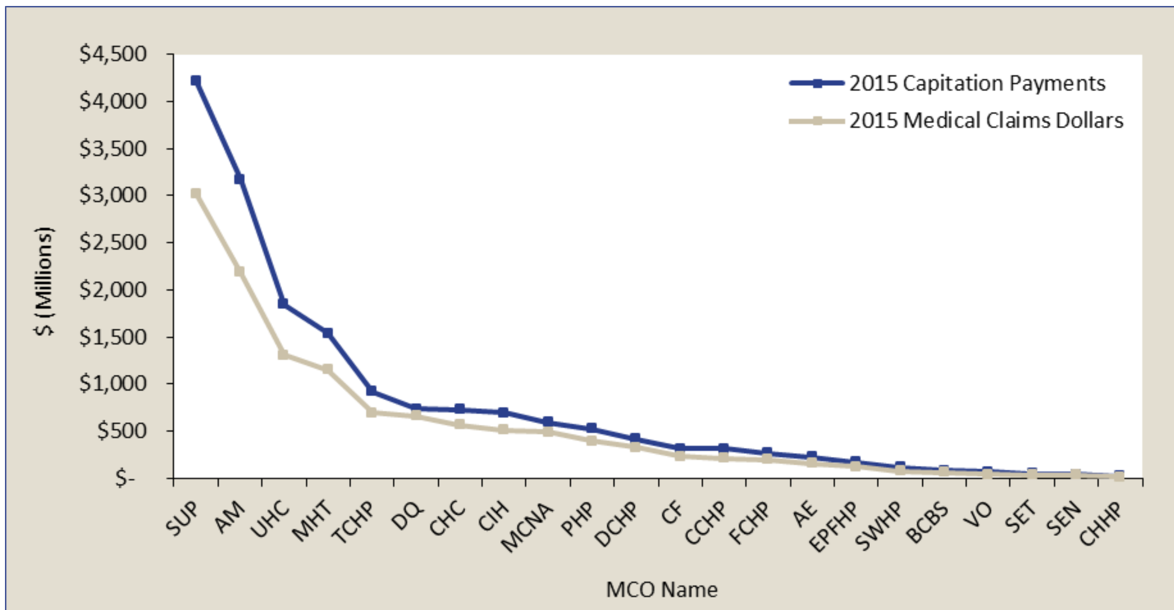
[9] A "risk group" is a group of MCO members that have a similar health status and are expected to have a similar Medicaid or CHIP spending pattern. HHSC applies an acuity risk adjustment to capitation rates to recognize the anticipated cost differential among multiple health plans in a service area 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.

DATA AND OBSERVATIONS

Section 1: MCOs RECEIVED $17.1 BILLION IN CAPITATION PAYMENTS AND INCURRED $12.5 BILLION IN MEDICAL CLAIMS FOR 2015

MCOs received a total of $17.1 billion in capitation payments from HHSC in 2015, and their health care providers submitted approximately $12.5 billion in medical claims dollars[10] for services provided in 2015. The amount of capitation payments HHSC pays to an MCO is based on the number of Medicaid and CHIP members enrolled in the MCO and the members' associated risk group. In 2015, the amounts MCOs received in capitation payments ranged from Christus (CHHP), which received $19.1 million, to Superior (SUP), which received $4.2 billion. MCO medical claims dollars ranged from $15.7 million to $3 billion in 2015. Figure 1.1 shows total capitation payments and medical claims dollars for each MCO.

Figure 1.1: Capitation Payments and Medical Claims Dollars in 2015 by MCO (Millions)



Source: MCO Financial Statistical Reports 2015; DSHS BHO Payments 2015; IG Questionnaire 2015

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[10] "Medical claims dollars" are the total amounts submitted to MCOs by health care providers as payment requests for medical 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 do not include MCO administrative costs.

Section 2: MCO SIUs PRODUCE LIMITED RESULTS

Based on MCO self-reported information, MCO SIUs recovered a small fraction of the total capitation payments received and medical claims dollars incurred. Though the SIU results varied, none of the MCO SIUs recovered more than five one hundredths of one percent of total medical claims incurred in 2015.

Based on a 2010 Institute of Medicine report, multiple estimates of fraud, waste, and abuse in the healthcare system "came to roughly similar approximations of the total amount of excess costs for health care in the United States." The report states that multiple lower bound estimates for fraud, waste, and abuse in the overall health care system converged at approximately 30 percent of total costs in 2009. Fraud alone was estimated at a minimum of three percent of total costs.[11] A 2012 Journal of the American Medical Association article separated fraud, waste, and abuse in Medicaid and Medicare from overall health care costs, and arrived at similar estimates. The authors estimated that between 20 percent and 41 percent of Medicaid and Medicare spending was lost to fraud, waste, or abuse in 2011. Their estimate for fraud and abuse alone was between three percent and ten percent.[12] Recoveries and referrals related to fraud, waste, and abuse by Medicaid and CHIP SIUs in Texas represent only a small fraction of the percentage these studies estimate may exist in the health care system.

Total MCO SIU Recoveries were $2.5 Million in 2015 and $3.9 Million in 2014

Table 2.1 summarizes annual amounts MCOs reported as recoveries[13] in 2014 and 2015 through the efforts of their SIUs. In 2014 the total was $3.9 million, and in 2015 the total was $2.5 million in recoveries attributable to fraud, waste, and abuse. The table also shows total recoveries relative to total medical claims dollars incurred by providers. Overall, in 2014 MCOs recovered 0.03 percent of total medical claims dollars, and 0.02 percent in 2015. Some MCOs, such as Scott and White, Sendero, and Seton, did not make any SIU recoveries over this two-year time period.

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[11] IOM (Institute of Medicine). 2010. The Healthcare Imperative: Lowering Costs and Improving Outcomes: Workshop Series Summary. Washington, DC: The National Academies Press. http://www.nap.edu/catalog/12750/the-healthcare-imperative-lowering-costs-and-improving-outcomes-workshop-series

[12] Berwick, D. M., & Hackbarth, A. D. (2012). Eliminating Waste in US Health Care. *JAMA*, *307*(14), 1513-1516. http://jama.jamanetwork.com/article.aspx?articleid=1148376

[13] "Recoveries" are the total amount of medical claims dollars an SIU required providers to pay back to the MCO because the SIU determined that those medical claims were the result of fraud, waste, or abuse. Recoveries are the actual amounts the SIU collected from providers during the referenced year.

Table 2.1: Total and Percentage Recoveries of Total Medical Claims Dollars for all MCOs

Year	Total Recoveries	Total Medical Claims $	Recoveries as % of Medical Claims $
2014	$ 3,883,525	$ 11,734,344,625	0.03%
2015	$ 2,479,941	$ 12,508,070,928	0.02%

Source: CMS MCE Questionnaire 2015; MCO Financial Statistical Reports 2015; IG Questionnaire 2015
HHSC OIG Annual Report on FWA Recoveries by MCOs 2014 and 2015

Prior to 2015, when IG updated its guidance on reporting recoveries, MCOs reported total recoveries that may have included cost avoidance. Including cost avoidance overstates MCO recoveries. For example, Superior included cost avoidance as part of the $1.8 million it reported in 2014 recoveries. In 2015, when Superior reported recoveries without cost avoidance, it reported only $6,900 in recoveries.

SIUs Recovered an Average of 0.02 Percent of 2015 Medical Claims Dollars

MCO SIU recoveries attributable to fraud, waste, and abuse during 2015 ranged from $0 by Scott and White, Sendero, and Seton, to a maximum of about $1.1 million by Amerigroup. Every one of the 22 MCO SIUs recovered far less than one percent of medical claims dollars, recovering less than one tenth of one percent. On average, SIUs recovered 0.02 percent of total aggregate medical claims dollars in 2015, and only 6 of the 22 individual SIUs exceeded this percentage. The highest recovery percentages reported were 0.05 percent by both Amerigroup and Texas Children's.

Recoveries include amounts pursued and successfully collected by the SIU. The amounts do not include claims referred to IG. Table 2.2 shows how many MCOs fell into each range of recoveries as a percentage of 2015 medical claims dollars.

Table 2.2: MCO Average Percentage Recovery of 2015 Medical Claims Dollars

Recoveries as % of Medical Claims $	# of MCOs
0% to .01%	12
.011% to .02%	4
.021% to .03%	3
.031% to .05%	3

Source: IG Questionnaire 2015; HHSC OIG Annual Report on FWA Recoveries by MCOs 2015;
MCO Financial Statistical Reports 2015

Most SIU Personnel Recovered Less Than $20,000

This report refers to MCO SIU personnel, whether internal staff or third-party contractors, as full-time equivalents (FTEs).[14] Each MCO varied in the total amount of medical claims dollars recovered per FTE. On average, each SIU FTE recovered approximately $32,000 of MCO medical claims dollars. For 16 of the 22 MCOs, each SIU FTE collected less than $20,000. Recoveries per FTE ranged from $0 for three MCOs (Scott and White, Sendero, and Seton) to approximately $256,000 for Amerigroup.

Recoveries are comprised of amounts pursued and successfully collected by the SIU. It does not include claims that IG investigates. Table 2.3 shows how many MCOs fell into each range of recoveries per FTE.

Table 2.3: Recoveries per SIU FTE in 2015

Recoveries per FTE	# of MCOs
$0	3
$1 to $20,000	13
$20,001 to $50,000	2
$50,001 to $100,000	3
$100,001 to $275,000	1

Source: IG Questionnaire 2015; HHSC OIG Annual Report on FWA Recoveries by MCOs 2015; MCO Financial Statistical Reports 2015

Most SIUs Referred Fewer than Three Fraud, Waste, and Abuse Cases to IG in 2015

MCO SIUs referred a total of 139 cases to IG in 2015. MCOs are required to report and refer all cases of suspected fraud, waste, and abuse to the IG Investigations Division (IG Investigations).[15]

IG Investigations evaluates the referrals and either:

- Opens a new case.
- Adds the referral to an existing case.
- Forwards the referral to the Medicaid Fraud Control Unit at the Texas State Attorney General's Office.
- Returns the referral to the MCO SIU for investigation and disposition.

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[14] One SIU FTE represents one individual working full-time on SIU functions. MCOs report their FTEs in increments between 0.1 and 1 FTE.

[15] Per Texas Administrative Code, Chapter 353, Subchapter F, Rule §353.505.

Fourteen MCOs referred fewer than three cases to IG Investigations in 2015. Table 2.4 shows the range of the number of referrals made to IG Investigations in 2015 along with the number of MCOs that fell into each category.

Table 2.4: Number of Cases Referred to IG Investigations in 2015

Number of Referrals per MCO	# of MCOs
0	7
1 to 2	7
3 to 10	3
11 to 20	2
21 to 30	3

Source: IG Investigations Referrals List

Most SIUs Referred Less than $40,000 in Fraud, Waste, and Abuse Cases to IG in 2015

MCOs referred SIU cases with a potential total of $9.9 million[16] in fraud, waste, and abuse to IG Investigations in 2015. Of this total, $6.6 million was referred by just one MCO (Amerigroup). The remaining 21 MCOs referred a combined $3.3 million to IG Investigations, including 10 MCOs that referred $0 of fraud, waste, and abuse for the year. Table 2.5 shows the range of referral amounts made to IG Investigations in 2015 along with the number of MCOs that fell into each category.

Table 2.5: Total Amount of Referrals to IG Investigations in 2015

Referral Amounts per MCO	# of MCOs
$0	10
$1 to $40,000	4
$40,001 to $200,000	2
$200,001 to $500,000	2
$500,001 to $1M	3
$1,000,001 to $7M	1

Source: IG Investigations Referrals List

[16] Based on MCO SIU estimates.

Section 3: MCOs DIFFER IN RESOURCES COMMITTED TO DETERRING FRAUD, WASTE, AND ABUSE

Self-reported MCO data indicates variances in the personnel resource commitment each MCO makes to its SIU. MCOs reported a range from less than one FTE allocated to their respective SIUs to a single MCO that reported over 11 SIU FTEs. Currently there are no statutory or contractual requirements specifying the dollar amount of resources or number of FTEs an MCO should commit to its SIU function.

Most MCOs Commit Fewer than Three FTEs to SIUs

MCOs differ in total number of personnel resources committed to preventing and detecting fraud, waste, and abuse. Personnel assigned to the SIU function may be either internal staff or outsourced through a third party subcontractor. In 2015, the 22 MCOs reported a combined internal and outsourced total of 75 SIU FTEs.

Individual MCOs allocated as few as less than one FTE (Aetna, Christus, FirstCare, and Sendero) and as many as 11 FTEs (MCNA), with 13 MCOs reporting fewer than 3 FTEs. Table 3.1 summarizes the total number of SIU personnel per MCO, and the number of MCOs that fell within each FTE range.

Table 3.1: Total Number of SIU FTEs by MCO in 2015

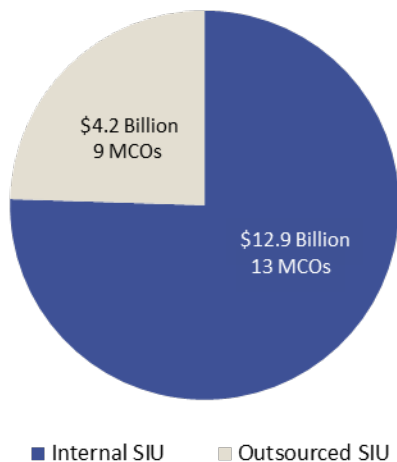
Number of SIU FTEs per MCO	# of MCOs
0 to 1 FTEs	4
1.1 to 3 FTEs	10
3.1 to 5 FTEs	4
5.1 to 9 FTEs	3
9.1 to 12 FTEs	1

Source: IG Questionnaire 2015; MCO Financial Statistical Reports 2015

Some MCOs supplement their outsourced SIU function with internal staff, while others supplement their internal staff by engaging third party vendors to perform specific tasks; for example, data analytics. Of the 22 MCOs, 9 indicated the SIU function is primarily performed by a third party, and 13 indicated internal staff are primarily responsible for the SIU function. In terms of total 2015 capitation payments, outsourced SIUs provided oversight of about one quarter, or $4.2 billion, while oversight of the remaining $12.9 billion was provided by internal

staff.[17] Figure 3.1 shows the number of MCOs by internal and outsourced SIU, and associated capitation payments.

Figure 3.1: Internal versus Outsourced SIUs by 2015 Capitation Payments and Number of MCOs



Source: MCO Financial Statistical Reports 2015; DSHS BHO Payments 2015; IG Questionnaire 2015

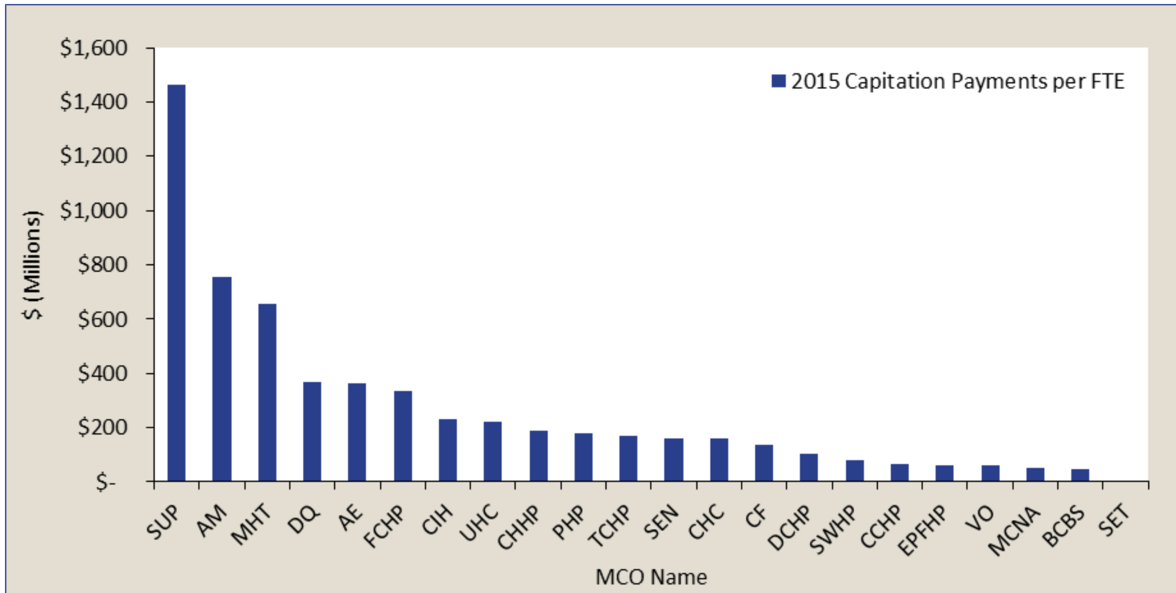
MCOs Vary in Number of SIU FTEs Committed by Total Capitation Payments, Medical Claims Dollars, and Members

SIU FTEs and Capitation Payments

In 2015, MCOs received an average of $266 million in capitation payments per SIU FTE, but there were wide variances between MCOs in capitation payments per SIU FTE. For example, Seton (SET) received $6.3 million in capitation payments per SIU FTE, while Superior (SUP) received $1.5 billion in capitation payments per SIU FTE. Figure 3.2 shows the MCOs by capitation payments per FTE.

[17] All but one of the MCOs with an outsourced SIU function engaged Health Management Services (HMS). HMS indicated that it dedicates a total of 17 FTEs to Texas Medicaid MCOs. For the purposes of this report, the IG Audit Division allocated the 17 HMS FTEs proportionately across the relevant MCOs based on 2015 total medical claims dollars. Where there is a combination of internal and outsourced effort, the allocated HMS FTEs are added to internal FTE data reported by MCOs. For those MCOs that hire third party vendors to handle specific tasks, the IG Audit Division categorized these efforts as internal.

Figure 3.2: MCO Capitation Payments per SIU FTE in 2015 ***(Millions)***



Source: MCO Financial Statistical Reports 2015; DSHS BHO Payments 2015; IG Questionnaire 2015

SIU FTEs and Medical Claims Dollars

The number of FTEs committed to an individual SIU does not correlate with the medical claims dollars incurred by the MCO. For example, Seton allocated eight FTEs for $38.5 million in medical claims dollars, while Molina allocated approximately two FTEs for $1.1 billion in medical claims dollars. Table 3.2 shows the wide variation of FTE commitments among the MCOs.

Table 3.2: MCOs by Medical Claims Dollars and SIU FTEs in 2015

Total MCO Medical Claims $	# of MCOs	Total # of FTEs
$0 to $200M	9	0.1 - 8.0
$201M to $400M	4	2.3 - 4.9
$401M to $1B	5	2.0 - 11.4
$1.1B to $2B	2	2.4 - 8.3
$2.1B to $3B	1	4.2
$3.1B to $4B	1	2.9

Source: IG Questionnaire 2015; MCO Financial Statistical Reports 2015

SIU FTEs and MCO Members

Enrollment across MCOs varies from the smallest MCO with fewer than 10,000 members (Christus) to the largest with more than 1.7 million members (DentaQuest). There was no correlation between the number of SIU FTEs for an MCO and its number of members. For example, Cigna reported 3 FTEs and over 53,000 members, while Sendero reported less than one FTE and more than 250,000 members. Table 3.3 shows the substantial variation among the MCOs in the number of FTEs for specific enrollment ranges, even within MCOs that have a similar number of members.[18]

Table 3.3: MCOs by Number of Members and SIU FTEs in 2015

Total # of MCO Members	# of MCOs	Total # of FTEs
0 to 100K	8	0.1 - 8.0
101K to 200K	5	2.3 - 8.3
201K to 400K	4	0.2 - 5.4
401K to 800K	2	1.2 - 4.2
801K to 1.5M	2	2.9 - 11.4
1.6M to 2M	1	2.0

Source: CMS MCE Questionnaire 2015; IG Questionnaire 2015; MCO Financial Statistical Reports 2015

[18] The total number of members reported here is greater than the actual number of enrollees in Medicaid. This is caused by a duplication of individuals who are both members in the medical MCOs as well as in the dental MCOs.

CONCLUSION

The IG Audit Division completed initial analysis of (a) data submitted in response to its request to 22 MCOs for information about their SIU functions, activities, and results and (b) other information MCOs previously submitted to the Centers for Medicare and Medicaid Services, IG, the HHSC Medicaid/CHIP Division, and DSHS.

MCOs received over $17 billion in Medicaid and CHIP capitation payments in 2015, and their health care providers submitted approximately $12.5 billion in medical claims for services provided in 2015. National studies indicate that fraud may represent at least 3 percent of medical costs in the United States, while fraud, waste, and abuse may collectively represent at least 20 percent of medical costs. For the Medicaid and CHIP programs in Texas, the highest performing SIU in 2015, based on its efforts to combat fraud, waste, and abuse, recovered or referred to IG Investigations less than one half of one percent of its medical claims dollars. SIUs in three MCOs did not recover or refer any dollars in 2015.

Based on its initial analysis, the IG Audit Division concludes that:

- MCOs produced limited results in their SIU fraud, waste, and abuse detection, investigation, referral, and recovery efforts relative to study estimates of overall national health care system losses to fraud, waste, and abuse.
- MCOs reported wide variation in resources committed to the SIU function, when each MCO's SIU FTEs are compared to the:
  - Amount of capitation payments
  - Amount of medical claims dollars
  - Number of Medicaid MCO and CHIP MCO members

Based on MCO self-reported information, there is no apparent correlation between the referral and recovery results produced by the SIUs and the personnel resources committed to the SIU function. The IG Audit Division plans to examine this further during audit fieldwork.

As audit planning continues, the IG Audit Division will assess risks related to SIU activities and controls, determine which risks should be further evaluated and tested during audit fieldwork, and refine and finalize the audit objective and scope.

At the end of planning, the IG Audit Division will issue an Engagement Memo and begin the audit fieldwork phase, which will include:

- Assessing MCO and subcontractor policies and practices associated with preventing, detecting, and investigating fraud, waste, and abuse.

- Conducting site visits to selected SIU locations to observe and evaluate activities relevant to the audit objective.
- Validating methodologies for reporting required SIU activities and outcomes to HHSC, including supporting systems and data.
- Evaluating roles and responsibilities for monitoring and oversight of SIU activities and reported results.
- Assessing the adequacy and completeness of SIU requirements contained in HHSC Uniform Managed Care Contracts.

Appendix A: SCOPE AND METHODOLOGY

Scope

The scope of this summary of SIU information is MCO self-reported data. This informational report, as well as the ongoing performance audit of Texas Medicaid and CHIP MCO SIUs, covers the period of September 2013 through August 2015.

Methodology

The IG Audit Division distributed a Request for Information to all 22 MCOs serving Medicaid and CHIP enrollees in Texas. These MCOs included 19 health plans, 2 dental maintenance organizations, and one behavioral health organization. The IG Audit Division collected documentary evidence about each MCO's respective SIU functions, activities, and performance results, including:

- SIU organizational charts and a list of past and present SIU employees.
- Policies and practices associated with prevention and detection of fraud, waste, and abuse.
- Data related to SIU performance in 2014 and 2015.
- Information regarding SIU activities outsourced to third parties, including subcontractor contracts and agreements.

The IG Audit Division supplemented the information received in response to the Request for Information with documentation the MCOs previously submitted to the Centers for Medicare and Medicaid Services, IG, DSHS, and the HHSC Medicaid/CHIP Division. The IG Audit Division also conducted discussions and interviews with responsible management at the HHSC Medicaid/CHIP Division and IG Investigations.

The IG Audit Division analyzed the reported information to help identify:

- Each SIU's organizational structure, key activities, and outcomes related to fraud, waste, and abuse.
- Areas of strength and potential risks.
- Areas of consistency and variation across the SIUs.
- Activities IG may evaluate further during the fieldwork phase of the audit.

The IG Audit Division used the following criteria to evaluate the information provided:

- MCO SIU Policies and Procedures
- Uniform Managed Care Manual

- Uniform Manual Care Contract Terms and Conditions
- Texas Administrative Code
- Texas Government Code
- Federal Acquisition Regulation
- Code of Federal Regulations

IG is conducting the ongoing performance audit in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. This informational report was not produced in accordance with GAGAS as it is not an audit report, but rather a summary of information provided by MCOs and compiled by the IG Audit Division. The information reported by the MCOs has not been validated, but is sufficient for satisfying the objective of this informational report to provide background, data, and IG Audit Division's initial observations on MCO SIU activities in Texas. Once the IG Audit Division has collected further information and performed audit testing, evidence gathering, and other audit procedures required for data validation and compliance with GAGAS, the IG Audit Division will communicate detailed findings in subsequent audit reports.

Appendix B: MCO NAMES AND ABBREVIATIONS

Abbreviations		MCO Name
Aetna	AE	Aetna Better Health of Texas, Inc.
Amerigroup	AM	Amerigroup Texas, Inc.
Blue Cross	BCBS	Blue Cross and Blue Shield of Texas
Christus	CHHP	Christus Health Plan
Cigna	CIH	Cigna Healthspring
Community First	CF	Community First Health Plans
Community Health	CHC	Community Health Choice
Cook	CCHP	Cook Children's Health Plan
DentaQuest	DQ	DentaQuest USA
Driscoll	DCHP	Driscoll Children's Health Plan
El Paso	EPFHP	El Paso First Health Plans, Inc.
FirstCare	FCHP	FirstCare Health Plans
MCNA	MCNA	MCNA Insurance Company
Molina	MHT	Molina Healthcare of Texas, Inc.
Parkland	PHP	Parkland Community Health Plan, Inc.
Scott and White	SWHP	Scott and White Health Plan
Sendero	SEN	Sendero Health Plans, Inc.
Seton	SET	Seton Health Plan, Inc.
Superior	SUP	Superior HealthPlan, Inc.
Texas Children's	TCHP	Texas Children's Health Plan, Inc.
UnitedHealthcare	UHC	UnitedHealthcare Community Plan of Texas, L.L.C.
ValueOptions	VO	ValueOptions of Texas, Inc.

Appendix C: FIGURE AND TABLE DETAIL

Figure 1.1 Detail

Capitation Payments and Medical Claims Dollars in 2015 by MCO

MCO Name	Capitation Payments *(Millions)*	Medical Claims $ *(Millions)*
Superior	$ 4,219.0	$ 3,023.3
Amerigroup	$ 3,171.9	$ 2,186.6
UnitedHealthcare	$ 1,845.1	$ 1,309.9
Molina	$ 1,538.2	$ 1,147.8
Texas Children's	$ 919.4	$ 693.6
DentaQuest	$ 735.7	$ 659.6
Community Health	$ 729.5	$ 566.5
Cigna	$ 696.9	$ 512.3
MCNA	$ 590.0	$ 489.9
Parkland	$ 523.3	$ 392.9
Driscoll	$ 416.4	$ 330.1
Cook	$ 317.0	$ 211.4
Community First	$ 312.8	$ 230.1
FirstCare	$ 269.3	$ 198.6
Aetna	$ 228.6	$ 157.8
El Paso	$ 174.7	$ 125.6
Scott and White	$ 115.9	$ 76.7
Blue Cross	$ 80.1	$ 62.2
ValueOptions	$ 71.7	$ 40.8
Seton	$ 50.4	$ 38.5
Sendero	$ 39.6	$ 38.3
Christus	$ 19.1	$ 15.7

Table 2.1 Detail for 2014

Total and Percentage Recoveries of Total Medical Claims Dollars for all MCOs

MCO Name	Total Recoveries 2014	Total Medical Claims $ 2014
Christus	$ 0	$ 17,290,720
FirstCare	$ 0	$ 288,066,212
Scott and White	$ 0	$ 16,765,706
Sendero	$ 0	$ 43,429,338
Seton	$ 0	$ 26,019,430
Blue Cross	$ 4,638	$ 51,096,903
Driscoll	$ 5,180	$ 303,873,706
MCNA	$ 25,251	$ 441,472,437
Cigna	$ 47,118	$ 282,066,031
El Paso	$ 51,191	$ 104,569,453
Community First	$ 57,371	$ 198,646,081
ValueOptions	$ 79,835	$ 42,704,660
Aetna	$ 83,880	$ 169,395,271
Parkland	$ 91,919	$ 348,469,917
Cook	$ 134,042	$ 197,430,867
Community Health	$ 163,873	$ 547,300,120
UnitedHealthcare	$ 173,947	$ 935,317,633
Texas Children's	$ 220,724	$ 599,140,820
DentaQuest	$ 277,598	$ 523,457,928
Molina	$ 295,773	$ 1,075,318,662
Amerigroup	$ 401,857	$ 2,123,822,854
Superior	$ 1,769,328	$ 3,298,689,876
Totals:	$ 3,883,524	$ 11,734,344,625
Recoveries as % of Medical Claims $: 0.03%		

Table 2.1 Detail for 2015

Total and Percentage Recoveries of Total Medical Claims Dollars for all MCOs

MCO Name	Total Recoveries 2015	Total Medical Claims $ 2015
Scott and White	$ 0	$ 76,657,824
Sendero	$ 0	$ 38,254,921
Seton	$ 0	$ 38,533,840
Christus	$ 500	$ 15,708,107
Blue Cross	$ 3,196	$ 62,201,198
Cook	$ 5,100	$ 211,397,572
Superior	$ 6,937	$ 3,023,251,406
ValueOptions	$ 10,685	$ 40,755,573
Aetna	$ 12,170	$ 157,833,212
Community First	$ 14,785	$ 230,143,577
FirstCare	$ 15,145	$ 198,574,630
Driscoll	$ 19,291	$ 330,050,573
Parkland	$ 20,530	$ 392,854,292
El Paso	$ 51,210	$ 125,625,065
MCNA	$ 55,749	$ 489,922,821
Community Health	$ 78,714	$ 566,519,989
Cigna	$ 111,910	$ 512,295,107
DentaQuest	$ 188,234	$ 659,584,550
UnitedHealthcare	$ 222,353	$ 1,309,899,405
Molina	$ 229,862	$ 1,147,842,343
Texas Children's	$ 359,478	$ 693,605,775
Amerigroup	$ 1,074,091	$ 2,186,559,149
Totals:	$ 2,479,941	$ 12,508,070,928
Recoveries as % of Medical Claims $: 0.02%		

Table 2.2 Detail

MCO Average Percentage Recovery of 2015 Medical Claims Dollars

MCO Name	Total Recoveries	Total Medical Claims $	Recoveries as % of Medical Claims $
Scott and White	$ 0	$ 76,657,824	0.00%
Sendero	$ 0	$ 38,254,921	0.00%
Seton	$ 0	$ 38,533,840	0.00%
Superior	$ 6,937	$ 3,023,251,406	0.00%
Cook	$ 5,100	$ 211,397,572	0.00%
Christus	$ 500	$ 15,708,107	0.00%
Blue Cross	$ 3,196	$ 62,201,198	0.01%
Parkland	$ 20,530	$ 392,854,292	0.01%
Driscoll	$ 19,291	$ 330,050,573	0.01%
Community First	$ 14,785	$ 230,143,577	0.01%
FirstCare	$ 15,145	$ 198,574,630	0.01%
Aetna	$ 12,170	$ 157,833,212	0.01%
MCNA	$ 55,749	$ 489,922,821	0.01%
Community Health	$ 78,714	$ 566,519,989	0.01%
UnitedHealthcare	$ 222,353	$ 1,309,899,405	0.02%
Molina	$ 229,862	$ 1,147,842,343	0.02%
Cigna	$ 111,910	$ 512,295,107	0.02%
ValueOptions	$ 10,685	$ 40,755,573	0.03%
DentaQuest	$ 188,234	$ 659,584,550	0.03%
El Paso	$ 51,210	$ 125,625,065	0.04%
Amerigroup	$ 1,074,091	$ 2,186,559,149	0.05%
Texas Children's	$ 359,478	$ 693,605,775	0.05%
Totals:	$ 2,479,941	$ 12,508,070,928	

Table 2.3 Detail

Recoveries per SIU FTE in 2015

MCO Name	Recoveries	SIU FTEs per MCO	Recoveries per FTE
Scott and White	$ 0	1.5	$ 0
Sendero	$ 0	0.2	$ 0
Seton	$ 0	8.0	$ 0
Cook	$ 5,100	4.9	$ 1,042
Blue Cross	$ 3,196	1.7	$ 1,880
Superior	$ 6,937	2.9	$ 2,409
Driscoll	$ 19,291	4.1	$ 4,707
MCNA	$ 55,749	11.4	$ 4,912
Christus	$ 500	0.1	$ 5,005
Community First	$ 14,785	2.3	$ 6,571
Parkland	$ 20,530	2.9	$ 7,055
ValueOptions	$ 10,685	1.2	$ 9,055
Community Health	$ 78,714	4.6	$ 17,106
El Paso	$ 51,210	2.8	$ 18,298
FirstCare	$ 15,145	0.8	$ 18,931
Aetna	$ 12,170	0.6	$ 19,317
UnitedHealthcare	$ 222,353	8.3	$ 26,702
Cigna	$ 111,910	3.0	$ 37,303
Texas Children's	$ 359,478	5.4	$ 67,192
DentaQuest	$ 188,234	2.0	$ 94,117
Molina	$ 229,862	2.4	$ 97,814
Amerigroup	$ 1,074,091	4.2	$ 255,736
Average:			$ 31,598

Table 2.4 Detail

Number of Cases Referred to IG Investigations in 2015

MCO Name	# of Referrals
Christus	0
Cigna	0
Community First	0
FirstCare	0
Scott and White	0
Sendero	0
Seton	0
Aetna	1
Blue Cross	1
Cook	1
El Paso	1
Driscoll	2
Parkland	2
ValueOptions	2
Community Health	3
Texas Children's	5
UnitedHealthcare	8
Molina	15
DentaQuest	20
Superior	22
Amerigroup	27
MCNA	29

Table 2.5 Detail

Total Amount of Referrals to IG Investigations in 2015

MCO Name	Referral Amounts
Christus	$ 0
Cigna	$ 0
Community First	$ 0
Cook	$ 0
Driscoll	$ 0
El Paso	$ 0
FirstCare	$ 0
Scott and White	$ 0
Sendero	$ 0
Seton	$ 0
Molina	$ 94
ValueOptions	$ 2,342
Community Health	$ 13,912
Texas Children's	$ 36,072
Aetna	$ 116,873
Parkland	$ 150,009
DentaQuest	$ 242,283
Blue Cross	$ 244,562
MCNA	$ 619,498
Superior	$ 882,523
UnitedHealthcare	$ 964,843
Amerigroup	$ 6,625,197

Table 3.1 Detail

Total Number of SIU FTEs by MCO in 2015

MCO Name	# of FTEs
Christus	0.1
Sendero	0.2
Aetna	0.6
FirstCare	0.8
ValueOptions	1.2
Scott and White	1.5
Blue Cross	1.7
DentaQuest	2.0
Community First	2.3
Molina	2.4
El Paso	2.8
Superior	2.9
Parkland	2.9
Cigna	3.0
Driscoll	4.1
Amerigroup	4.2
Community Health	4.6
Cook	4.9
Texas Children's	5.4
Seton	8.0
UnitedHealthcare	8.3
MCNA	11.4

Figure 3.1 Detail

Internal versus Outsourced SIUs by 2015 Capitation Payments and Number of MCOs

MCO Name	Capitation Payments *(Millions)*	Internal or Outsourced SIU
Seton	$ 50.4	Internal
ValueOptions	$ 71.7	Internal
Blue Cross	$ 80.1	Internal
Aetna	$ 228.6	Internal
FirstCare	$ 269.3	Internal
Community First	$ 312.8	Internal
MCNA	$ 590.0	Internal
Cigna	$ 696.9	Internal
DentaQuest	$ 735.7	Internal
Texas Children's	$ 919.4	Internal
Molina	$ 1,538.2	Internal
Amerigroup	$ 3,171.9	Internal
Superior	$ 4,219.0	Internal
Christus	$ 19.1	Outsourced
Sendero	$ 39.6	Outsourced
Scott and White	$ 115.9	Outsourced
El Paso	$ 174.7	Outsourced
Cook	$ 317.0	Outsourced
Driscoll	$ 416.4	Outsourced
Parkland[19]	$ 523.3	Outsourced
Community Health	$ 729.5	Outsourced
UnitedHealthcare	$ 1,845.1	Outsourced

[19] Parkland outsources their SIU function to Aetna Better Health of Texas, Inc.

Figure 3.2 Detail

MCO Capitation Payments per FTE in 2015

MCO Name	Capitation Payments *(Millions)*	# of FTEs	Capitation Payments per FTE *(Millions)*
Superior	$ 4,219.0	2.9	$ 1,464.9
Amerigroup	$ 3,171.9	4.2	$ 755.2
Molina	$ 1,538.2	2.4	$ 654.5
DentaQuest	$ 735.7	2.0	$ 367.8
Aetna	$ 228.6	0.6	$ 362.9
FirstCare	$ 269.3	0.8	$ 336.7
Cigna	$ 696.9	3.0	$ 232.3
UnitedHealthcare	$ 1,845.1	8.3	$ 221.6
Christus	$ 19.1	0.1	$ 191.1
Parkland	$ 523.3	2.9	$ 179.8
Texas Children's	$ 919.4	5.4	$ 171.8
Sendero	$ 39.6	0.2	$ 162.7
Community Health	$ 729.5	4.6	$ 158.5
Community First	$ 312.8	2.3	$ 139.0
Driscoll	$ 416.4	4.1	$ 101.6
Scott and White	$ 115.9	1.5	$ 77.9
Cook	$ 317.0	4.9	$ 64.8
El Paso	$ 174.7	2.8	$ 62.4
ValueOptions	$ 71.7	1.2	$ 60.8
MCNA	$ 590.0	11.4	$ 52.0
Blue Cross	$ 80.1	1.7	$ 47.1
Seton	$ 50.4	8.0	$ 6.3

Table 3.2 Detail

MCOs by Medical Claims Dollars and FTEs in 2015

MCO Name	Medical Claims $ *(Millions)*	Total # of FTEs
Christus	$ 15.7	0.1
Sendero	$ 38.3	0.2
Seton	$ 38.5	8.0
ValueOptions	$ 40.8	1.2
Blue Cross	$ 62.2	1.7
Scott and White	$ 76.7	1.5
El Paso	$ 125.6	2.8
Aetna	$ 157.8	0.6
FirstCare	$ 198.6	0.8
Cook	$ 211.4	4.9
Community First	$ 230.1	2.3
Driscoll	$ 330.1	4.1
Parkland	$ 392.9	2.9
MCNA	$ 489.9	11.4
Cigna	$ 512.3	3.0
Community Health	$ 566.5	4.6
DentaQuest	$ 659.6	2.0
Texas Children's	$ 693.6	5.4
Molina	$ 1,147.8	2.4
UnitedHealthcare	$ 1,309.9	8.3
Amerigroup	$ 2,186.6	4.2
Superior	$ 3,023.3	2.9

Table 3.3 Detail

MCOs by Number of Members and SIU FTEs in 2015

MCO Name	Total # of MCO Members	Total # of FTEs
Christus	7,036	0.10
Seton	17,342	8.00
Blue Cross	29,753	1.70
Scott and White	40,547	1.49
Cigna	53,145	3.00
El Paso	73,112	2.80
Aetna	74,862	0.63
FirstCare	97,933	0.80
Cook	115,400	4.89
Community First	126,830	2.25
Driscoll	131,601	4.10
UnitedHealthcare	195,084	8.33
Parkland	198,579	2.91
Molina	246,200	2.35
Community Health	258,175	4.60
Sendero	258,228	0.24
Texas Children's	319,252	5.35
ValueOptions	597,906	1.18
Amerigroup	710,539	4.20
Superior	930,184	2.88
MCNA	1,273,209	11.35
DentaQuest	1,792,466	2.00

Appendix D: REPORT TEAM AND REPORT DISTRIBUTION

Report Team

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

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Appendix E: IG MISSION AND CONTACT INFORMATION

Inspector General Mission

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

- Stuart W. Bowen, Jr. Inspector General
- Frank Bryan Principal Deputy IG
- Quinton Arnold Chief of Staff
- David Griffith Deputy IG for Audit
- James Crowley Deputy IG for Investigations
- David Holmgren Deputy IG for Inspections and Evaluations
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