

State of Washington  
 Status of Audit Resolution  
 December 2019

State Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status
2018 F	041	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.</p> <p>Corrective Action: This finding is based on a specific data exchange method which most insurance carriers have chosen not to participate in and which the Authority has no legal authority to enforce. The auditor recommended the Authority seek and obtain the legal authority through legislation. While it is not within the Authority’s scope of responsibilities to regulate insurance companies, several other methods of data sharing are regularly employed to achieve the goal of identifying third party liability.</p> <p>The Authority has requested legislation that modifies the specific method and timing of data exchange with insurance carriers.</p> <p>In June 2018, the auditor submitted this finding to the appropriate committees of the legislature in accordance with the requirements of the amended RCW 43.09.312 when the auditor determines that the audited agency has not made substantial progress in remediating its noncompliance.</p> <p>The Authority anticipates the finding will be resolved through the legislation request and/or the decision of the legislative committees regarding resolution.</p> <p>The conditions noted in this finding were previously reported in findings 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19, and 08-25.</p> <p>Completion Date: Corrective action is expected to be complete by June 2020</p> <p>Agency Contact: Keri Kelley            External Audit Compliance Manager            PO Box 45502            Olympia, WA 98504-5502            (360) 725-9586  <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>

Audit Report	Finding Number	Finding and Corrective Action Status
2018 F	042	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.</p> <p>Corrective Action: The Authority is aware of the current situation with provider revalidation and is closely monitoring with routine reports.</p> <p>The Authority has prioritized revalidation work, and is making progress towards revalidation compliance. Currently, the Authority is working on a long-term solution by developing an automated process that will conduct all necessary data matches. The new process is expected to significantly reduce the amount of manual effort required and ensure provider revalidation is performed timely. Until the new automated process is fully implemented, the Department conducts other activities to mitigate the risk of paying ineligible providers.</p> <p>The Authority also noted that federal regulations require providers to be re-categorized as high risk under very specific, limited circumstances. The Authority determined that there were approximately two dozen providers, out of 98,000, that met the specific criteria and required to be re-categorized as high risk. The Authority has implemented internal processes for divisions to notify the provider enrollment unit of any events related to provider overpayments, payment suspensions or new sanctions, which would trigger the need to adjust a provider’s risk level to high.</p> <p>As of December 2018, the Authority:</p> <ul style="list-style-type: none"> <li>• Completed the process of re-categorizing current high-risk providers.</li> <li>• Updated procedures to include the new process of adjusting risk level when a qualifying event occurs.</li> </ul> <p>By November 2019, the Department will send notification of the revalidation requirement to all providers who enrolled with the Authority prior to March 31, 2014.</p> <p>By March 2020, the Authority will implement the new fingerprint requirement and will conduct fingerprint-based criminal background checks on the high risk providers identified under the re-categorization process.</p> <p>The conditions noted in this finding were previously reported in finding 2017-033.</p> <p>Completion Date: Corrective action is expected to be complete by March 2020</p> <p>Agency Contact: Keri Kelley          External Audit Compliance Manager          PO Box 45502          Olympia, WA 98504-5502          (360) 725-9586  <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>

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2018 F	043	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Service Verifications were performed for eligible nursing home claims.</p> <p>To address the audit recommendation, the Department has taken the following actions:</p> <ul style="list-style-type: none"> <li>• As of May 2017, Medical Service Verifications (MSVs) were expanded in ProviderOne to include social service claims.</li> <li>• As of November 2017, a Service Level Agreement was signed with the Department of Social and Health Services (DSHS). The agreement detailed the roles and responsibilities of the Authority and DSHS for processing and investigating leads from MSVs.</li> </ul> <p>The Authority does not agree that the exclusion of nursing homes in the survey population is an indication of control deficiency. The Authority strategically excluded nursing homes in order to conduct targeted, risk-based verifications with high return rates. From a compliance standpoint, the Authority believes federal regulations allow flexibility for grantees to adopt a more effective approach.</p> <p>The Authority will continue to consult with the federal grantor to obtain clarification. As of March 2018, nursing homes are included in the universe of ProviderOne claims until definitive federal guidance is obtained.</p> <p>The conditions noted in this finding were previously reported in findings 2017-034, 2016-029, 2015-032, 2014-039, 13-031, 12-54, and 11-39.</p> <p>March 2018, subject to audit follow-up</p> <p>Keri Kelley          External Audit Compliance Manager          PO Box 45502          Olympia, WA 98504-5502          (360) 725-9586  <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>

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2018 F	044	<p>Finding: The Health Care Authority did not have adequate internal controls to ensure its federal draws for the Medicaid Transformation Demonstration project were adequately supported.</p> <p>Corrective Action: The Authority is aware of the staffing turnover in the Medicaid Transformation Demonstration (MTD) Project. As of June 2019, the Authority:</p> <ul style="list-style-type: none"> <li>• Completed the process of filling vacant positions.</li> <li>• Developed policies and procedures describing the roles and responsibilities of staff within the project.</li> </ul> <p>The Authority is working on improving internal controls to ensure its federal draws for the MTD project are allowable and adequately supported. As of August 2019, the Authority contracted with an independent external auditor to review the Designated State Health Programs (DSHP) expenditure reporting for calendar years 2017 and 2018, and to validate the accuracy of federal claims.</p> <p>The Authority also:</p> <ul style="list-style-type: none"> <li>• Completed documenting defined administrative costs for DSHP.</li> <li>• Provided guidance to DSHP entities to ensure defined administrative costs are excluded from certified public expenditure reports.</li> </ul> <p>DSHP entities include state agencies, cities and county governments that use different financial payment systems to generate expenditure reports. Therefore, the Authority finds it challenging to require DSHP entities to provide supporting documentation in a consistent manner. The Authority will work with DSHP entities to ensure adequate and consistent supporting documentation is provided on certified public expenditure reports.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding establishing a process for program integrity as appropriate.</p> <p>Completion Date: August 2019, subject to audit follow-up</p> <p>Agency Contact: Keri Kelley          External Audit Compliance Manager          PO Box 45502          Olympia, WA 98504-5502          (360) 725-9586  <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>

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2018 F	045	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority claimed Medicaid federal funds for Medicaid expenditures that exceeded the two-year time limit.</p> <p>For the expenditures identified in this audit as outside the two-year claim period, the Authority will research to determine if they were in fact unallowable. When the Center for Medicaid and Medicare (CMS) sends award closeout data and initiates the closeout process, the Authority will make any needed adjustments and return the federal funds to CMS.</p> <p>The Authority will continue to explore options to ensure refunds will be processed more timely to return claimed federal funds that are outside the allowable period.</p> <p>Corrective action is expected to be complete by February 2020</p> <p>Keri Kelley            External Audit Compliance Manager            PO Box 45502            Olympia, WA 98504-5502            (360) 725-9586  <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>

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2018 F	046	<p><b>Finding:</b> The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.</p> <p><b>Corrective Action:</b> The Authority currently has the follow processes in place to verify that providers have not been suspended or debarred:</p> <ul style="list-style-type: none"> <li>• Conducts reviews of the List of Excluded Individuals/Entities (LEIE) and Excluded Parties List System/System for Award Management (EPLS/SAM) database checks during new provider enrollment and provider re-validation.</li> <li>• Conducts monthly LEIE database checks on Medicaid providers.</li> <li>• Managed Care Organizations conduct LEIE and EPLS/SAM database checks on network providers under the Authority’s Apple Health contract.</li> </ul> <p>The Authority is not currently conducting monthly checks with EPLS/SAM. The system only has the ability to search a single individual and there is a price associated with uploading more than one individual provider at a time. Due to the volume of providers and the resources it requires, it is not feasible for the Authority to conduct monthly EPLS/SAM checks on providers.</p> <p>Last year, the Authority was approved as a pilot state to utilize the U.S. Department of Treasury’s Do Not Pay database system, which will allow the Authority to upload the volume of providers into EPLS/SAM and conduct the required checks on a monthly basis. However, this process has since stalled on the federal side.</p> <p>The Authority is exploring other opportunities to meet compliance. Although the Authority is not currently conducting EPLS/SAM database checks at the frequency required, there were no improper payments identified.</p> <p>The conditions noted in this finding were previously reported in findings 2017-037.</p> <p><b>Completion Date:</b> Corrective action is expected to be complete by December 2019</p> <p><b>Agency Contact:</b> Keri Kelley          External Audit Compliance Manager          PO Box 45502          Olympia, WA 98504-5502          (360) 725-9586  <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>

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2018 F	047	<p>Finding: The Health Care Authority, Section of Program Integrity, Data Analytics and Review Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.</p> <p>Corrective Action: To address the auditor’s recommendations, the Authority will take actions to improve internal controls over monitoring provider case reviews to ensure suspected fraud cases are appropriately referred for investigation.</p> <p>The Authority will review current policies and procedures and update as necessary to include:</p> <ul style="list-style-type: none"> <li>• Conducting secondary reviews of audits and findings to ensure they are accurate and supported.</li> <li>• Maintaining sufficient documentation to support case decisions.</li> <li>• Providing necessary and adequate training to staff to ensure all requirements to identify and investigate suspected fraud cases are met.</li> </ul> <p>As of September 2019, the Authority has requested additional funding in the 2020 supplemental budget to support the implementation of these activities and other program integrity improvement efforts, including recommendations from the Centers for Medicare &amp; Medicaid Services.</p> <p>Completion Date: Corrective action is expected to be complete by June 2020</p> <p>Agency Contact: Keri Kelley            External Audit Compliance Manager            PO Box 45502            Olympia, WA 98504-5502            (360) 725-9586  <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>

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2018 F	048	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children’s Health Insurance Program funds.</p> <p>The Authority does not concur with the cause of condition of the finding.</p> <p>The auditors determined that the Authority does not conduct a post-eligibility review for coverage under the Children’s Health Insurance Program (CHIP) when a household’s income is below 133 percent of the federal poverty level. There is no such requirement in the Authority’s federally approved verification plan, and the Authority does not agree that a material weakness in internal control exists.</p> <p>The condition that led to the \$3,293 in unallowable claims for additional CHIP funds was corrected in July 2017. The remaining \$852 in questioned costs represent claims that were not only eligible for additional CHIP funds, but also allowable at a higher rate than the Authority claimed.</p> <p>The Authority will consult with the grantor regarding the resolution of the questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2017-038, 2016-034, 2015-039, and 2014-037.</p> <p>Not applicable</p> <p>Keri Kelley          External Audit Compliance Manager          PO Box 45502          Olympia, WA 98504-5502          (360) 725-9586  <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>

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2018 F	049	<p>Finding: The Health Care Authority made improper payments for Medicaid managed care recipients with Medicare insurance coverage.</p> <p>Corrective Action: The Authority has implemented the following corrective actions:</p> <ul style="list-style-type: none"> <li>• As of March 2016, developed an algorithm to identify Per Member Per Month (PMPM) premium payments for clients enrolled in Medicare.</li> <li>• As of June 2018, went live with the enhancements to the ProviderOne system to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare.</li> <li>• Ran the new algorithm for the period from the last algorithm run in November 2017 to the system enhancement in June 2018, and identified all PMPM premium duplicate payments.</li> </ul> <p>As of August 2019, the Authority completed the recoveries of the duplicate PMPM premium payments.</p> <p>The conditions noted in this finding were previously reported in findings 2017-039.</p> <p>Completion Date: August 2019, subject to audit follow-up</p> <p>Agency Contact: Keri Kelley            External Audit Compliance Manager            PO Box 45502            Olympia, WA 98504-5502            (360) 725-9586  <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>