

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

As of 2016, New Jersey and eight other States had implemented or received approval for Delivery System Reform Incentive Payment (DSRIP) programs with Federal Medicaid funding totaling \$26 billion. New Jersey's DSRIP program provides incentive payments to hospitals for providing quality health care to Medicaid beneficiaries and uninsured patients.

Under New Jersey's 5-year DSRIP demonstration program, hospitals received incentive payments for meeting performance indicators (goals). New Jersey measured hospitals' progress toward meeting certain performance goals by using Medicaid claims data and patients' health records information. New Jersey was approved for Medicaid funding totaling \$923 million (\$462 million Federal share) for its DSRIP program. From this amount, it made "pay-for-performance" incentive payments totaling \$182 million (\$91 million Federal share) to 49 hospitals. New Jersey extended the program through June 2020 with additional funding totaling \$500 million (\$250 million Federal share).

Our objective was to determine whether New Jersey claimed Medicaid reimbursement for certain DSRIP program payments in accordance with Federal and State requirements.

How OIG Did This Review

We reviewed approximately \$51 million (\$25 million Federal share) in pay-for-performance incentive payments made to five hospitals during the fourth and fifth years of the demonstration program.

New Jersey Did Not Provide Adequate Oversight of Its Medicaid Delivery System Reform Incentive Payment Program

What OIG Found

We could not determine whether New Jersey appropriately claimed Medicaid reimbursement for pay-for-performance incentive payments to five selected hospitals. Specifically, we could not determine if the hospitals met performance goals calculated from Medicaid claims data. In addition, the hospitals did not report patients' health records information consistent with performance measure criteria. As a result, we could not determine what portion of pay-for-performance incentive payments, totaling approximately \$51 million (\$25 million Federal share), that New Jersey made to the five selected hospitals based on determinations from New Jersey's DSRIP program contractor was appropriate.

This occurred because New Jersey did not ensure that the DSRIP program contractor maintained Medicaid claims data to support the achievement of performance goals and did not provide adequate guidance to the hospitals regarding how they should report patients' health records information.

What OIG Recommends and New Jersey's Comments

We recommend that New Jersey work with its DSRIP manager and program contractor and the five selected hospitals to determine whether the approximately \$51 million (\$25 million Federal share) in pay-for-performance incentive payments to the hospitals was appropriate. New Jersey should also work with its DSRIP manager and program contractor and the 44 hospitals not selected for review to determine whether the approximately \$132 million (\$66 million Federal share) in remaining pay-for-performance incentive payments was appropriate. We also recommend that New Jersey improve its oversight of the DSRIP program to ensure compliance with Medicaid requirements.

In written comments to our draft report, New Jersey disagreed with our findings and did not indicate concurrence or nonconcurrence with our recommendations. However, it described steps that it has taken to improve its oversight of the DSRIP program. After reviewing New Jersey's comments, we maintain that our findings and recommendations are valid.