

Report in Brief

Date: August 2019

Report No. A-03-16-00205

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



Why OIG Did This Review

Federal regulations effective July 1, 2011, prohibit Medicaid payments for services related to provider-preventable conditions (PPCs). The Centers for Medicare & Medicaid Services delayed its enforcement of the regulations until July 1, 2012, to allow States time to develop and implement new payment policies. This review is part of a series of reviews to determine whether the States ensured that their Medicaid managed-care organizations (MCOs) complied with these regulations for inpatient services. Our objective was to determine whether Pennsylvania ensured that its MCOs complied with Federal and State requirements prohibiting payments to providers for inpatient hospital services related to treating certain PPCs.

How OIG Did This Review

We obtained an understanding of the monitoring activities Pennsylvania performed to ensure that the MCOs complied with Federal and State requirements and their managed-care contracts relating to the nonpayment of PPCs. From October 1, 2013, through September 30, 2015 (audit period), Pennsylvania contracted with 10 MCOs for physical health services and with 32 county governments and 2 private-sector behavioral health MCOs for behavioral health services. We reviewed the 10 physical health and the 2 private-sector MCOs. We reviewed Medicaid encounter data from this time period from the 12 MCOs to identify providers' paid claims that either contained at least one secondary diagnosis code for a PPC and that had a present on admission code (POA) indicating that the condition was not present on admission or did not have a POA code.

Pennsylvania Did Not Ensure Its Managed-Care Organizations Complied With Requirements Prohibiting Medicaid Payments for Services Related to Treating Provider-Preventable Conditions

What OIG Found

Pennsylvania did not ensure that its MCOs complied with Federal and State requirements prohibiting Medicaid payments to providers for inpatient hospital services related to treating certain PPCs. PPCs are certain reasonably preventable conditions caused by medical accidents or errors in a health care setting. For our audit period, we identified that MCOs paid providers approximately \$43.5 million for 576 claims that contained PPCs. Pennsylvania's policies and procedures were not adequate to ensure its MCOs complied with Federal and State requirements. As a result, unallowable payments for services related to treating PPCs might have been included in the calculation of capitation payment rates.

What OIG Recommends and State Agency Comments

We made several recommendations to Pennsylvania, including (1) work with the MCOs to determine the portion of the \$43.5 million that was unallowable for claims containing PPCs and its impact on current- and future-year capitation payment rates, (2) include a clause in its managed-care agreements with the MCOs that would allow Pennsylvania to recoup funds from the MCOs when contract provisions and Federal and State requirements are not met—a measure that, if incorporated, could result in cost savings for Medicaid, and (3) enforce the provisions in its managed-care agreements that allow sanctions or penalties to be imposed for noncompliance with or failure to meet performance and program standards indicated in the contract and subsequent related contracts.

In written comments to our draft report, Pennsylvania concurred with all seven of our recommendations and described the actions that it has taken and plans to take to address them. However, in addressing our first recommendation, Pennsylvania stated that it appeared that physical health MCOs were not paying for PPCs based on its survey of those MCOs although we found 576 claims paid by physical health MCOs that contained PPCs. We continue to maintain that our findings and recommendations are correct.