



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF GOVERNMENT AFFAIRS

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

BEN POPKIN
ASSISTANT SECRETARY FOR LEGISLATION

March 30, 2017

SENT VIA ELECTRONIC MAIL

The Honorable Phil Berger, Co-Chair
Joint Legislative Commission on
Governmental Operations
North Carolina General Assembly
Room 2007, Legislative Building
Raleigh, NC 27601

The Honorable Tim Moore, Co-Chair
Joint Legislative Commission on
Governmental Operations
North Carolina General Assembly
Room 2304, Legislative Building
Raleigh, NC 27601

Dear Chairmen:

North Carolina General Statute §143B-216.51(g) requires the Department of Health and Human Services' Office of Internal Auditor to monitor implementation of monitor the implementation of the Department's response to any audit of the Department conducted by the State Auditor pursuant to law and to issue a report to the Secretary on the status of corrective actions implemented no later than six months after the State Auditor publishes any audit report pursuant to law. The law also requires that a copy of this report be filed with the Joint Legislative Commission on Governmental Operations pursuant to the General Statute. In accordance with the requirement found in General Statute §143B-216.51(g), please find the attached reports.

Should you have any questions regarding the report, please contact Chet Spruill, Director of the Office of the Internal Auditor, at 919-855-3662.

Sincerely,

Ben Popkin
Assistant Secretary for Legislation

| | | | | |
|-----|--|-----------------|--------------------|----------------|
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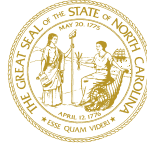
Office of the Internal Auditor
HEALTH AND HUMAN SERVICES

Follow-up Assessment of the Division of Medical
Assistance – Medicaid Provider Eligibility
Performance Audit

Issued by the Office of the State Auditor,
August 14, 2014

February 15 2017

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DEPARTMENT OF HEALTH AND HUMAN SERVICES OFFICE OF INTERNAL AUDITOR

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

CHET SPRUILL
DIRECTOR

February 15, 2017

Secretary Mandy Cohen, MD, MPH
N.C. Department of Health and Human Services
Adams Building, 101 Blair Drive
Raleigh, NC 27603

The Office of the Internal Auditor (OIA) has conducted a follow-up assessment of the findings and recommendations identified in the performance audit of the Department of Health and Human Services – Division of Medical Assistance – Medicaid Provider Eligibility, PER-2014-4445. The Office of the State Auditor (OSA) issued the report on August 14, 2014.

Conclusion

OIA observed sufficient evidence to conclude that the Division of Medical Assistance (DMA) has taken appropriate corrective action to reduce the risks identified by the two findings noted in OSA's audit report. In our opinion, the corrective action taken in relation to each finding was adequate to reduce the risk that the finding would continue to exist in subsequent periods. A summary of each of OSA's findings and recommendations and OIA's observed results are included in Appendix A.

Objective

The objective of our follow-up assessment was to evaluate whether DMA has taken appropriate corrective action in response to OSA's findings and recommendations. Our follow-up assessment was conducted pursuant to G.S. 143B-216.51(g). The General Statute requires OIA to issue a report to the Secretary on the status of corrective actions taken by the Department of Health and Human Services no later than six months after the State Auditor publishes any audit report pursuant to law. A copy of this report shall also be filed with the Joint Legislative Commission on Governmental Operations pursuant to the General Statute.

Scope

The scope of our follow-up assessment encompasses the review of all activities directed toward the resolution of the risks associated with the findings and recommendations as provided by OSA, as well as management's action plan from the original audit report.

Methodology

In order to form an opinion on the status of each of the two findings identified, we performed the following functions:

- We reviewed OSA's audit report in order to gain a better understanding of the findings.

- We discussed with DMA management the basis for any findings and the corrective actions which were to be implemented.
- We conducted subsequent tests to evaluate whether corrective actions taken by DMA were implemented and reduce the risk that the finding would continue to exist in subsequent periods.

We express our appreciation to the management and staff of the Division of Medical Assistance and the Office of the State Auditor for their cooperation and assistance provided during this follow-up assessment.

Chet Spruill
Director, Office of the Internal Auditor

APPENDIX A

SUMMARY OF OSA’S FINDINGS AND RECOMMENDATIONS AND OIA’S FOLLOW-UP RESULTS

1. OSA FINDING AND RECOMMENDATION – DIVISION PROCEDURAL WEAKNESSES COULD HAVE ALLOWED UNQUALIFIED PROVIDERS TO ENROLL

The Division of Medical Assistance procedures did not provide reasonable assurance that only qualified providers were approved to enroll in the North Carolina Medicaid program. Consequently, there is an increased risk that unqualified providers could have been enrolled in the Medicaid program and allowed to serve Medicaid recipients and receive payment from the State. Specifically, the Division lacked documentation needed to review higher-risk provider approvals, reviews of higher-risk provider approval process, and sufficient written procedures for documenting the approval of higher-risk provider applications. (paraphrased)

OSA recommended the Division should:

- a. Ensure that adequate documentation is maintained so that management and auditors can effectively evaluate the higher-risk provider application approval process.
- b. Perform reviews of its higher-risk provider application approval process to ensure that Division policies and procedures are being followed.
- c. Improve its existing written policies and procedures for higher-risk provider application approvals by adding specific supporting evidence requirements.

Agency Response (paraphrased): DHHS agrees that documentation of the criteria used to evaluate provider applications referred by the Contractor due to a potential concern may have had some deficiencies during the calendar year ending December 31, 2012. In response, DMA implemented standard protocols and monitoring in September of 2013 to ensure that eligibility determinations related to provider applications referred by the Contractor due to a potential concern are made objectively and appropriately documented. DMA established and implemented Management Monitoring Quality Controls (Monitoring Plan) for reviewing approval and denial decisions related to provider applications referred to it by the Contractor (CSRA - formerly Computer Sciences Corporation) due to a potential concern. The Monitoring Plan established standardized policies and procedures and ensures that staff adheres to them in making enrollment determinations. DMA will benchmark its policies and procedures and adopt “best practices” utilized by other state Medicaid agencies.

OIA Follow-up Results

In October of 2015, DMA approved a revised monitoring plan and procedure, most recently modified in September 2016. These policies strengthened the prior procedures for provider application approvals. The DMA Provider Services Monitoring Plan lists the monitoring activities to be carried out by division staff and the quantity of applications or actions to be monitored and reviewed by staff and management. The Provider Services Business Procedure describes how monitoring assignments will be selected and assigned to staff for review, how to summarize deficiencies identified in provider applications and the process for submitting and reviewing the Contractor’s Corrective Action Plan.

OIA confirmed that DMA has created and implemented policies and procedures that specifically outline the evidence requirement for provider applications. DMA’s Provider Services Monitoring Plan

requires the Contractor to monitor professional licensing board notifications of sanctioned, suspended and terminated providers. Furthermore, the plan specifies the enrollment and credentialing activities required for documentation to ensure providers are in good status.

DMA has created and implemented several monitoring tools to evaluate and document the application approval process for higher-risk providers. The Pegasystem's Application Review Log (Pega) documents DMA's daily review of select cases submitted by the Contractor for review. The log documents why the Contractor did not make an eligibility determination and an explanation of DMA's approval decision. DMA's Provider Services Monitoring Plan stipulates the quantity of Pega applications to be reviewed each month by DMA Provider Services staff and management for quality control.

OIA judgmentally selected a sample of two Pega Application Review Logs, for reporting periods June and August of 2016, to verify the Division is documenting and reviewing applications for higher-risk providers. For each reporting period, OIA confirmed the Division recorded applications received for review on a daily basis. OIA further confirmed the Division is tracking the individual conducting the review and the justification for DMA's approval or denial of the application. Also, OIA reviewed the management monitoring logs for the respective months to verify Division management reviewed the minimum amount of Pega applications processed by staff members as required.

OIA determined DMA has implemented changes that are adequate to resolve the risks associated with the findings and recommendations provided in the original audit report; therefore, OIA considers this finding resolved.

2. OSA FINDING AND RECOMMENDATION – CONTRACTOR PROCEDURAL WEAKNESSES COULD HAVE ALLOWED UNQUALIFIED PROVIDERS TO ENROLL

Contractor provider enrollment review procedures and the Division of Medical Assistance's oversight of the Contractor did not provide reasonable assurance that only qualified providers were approved to enroll in the North Carolina Medicaid program. Consequently, there is an increased risk that unqualified providers could have been enrolled in the Medicaid program and allowed to serve Medicaid recipients and receive payment from the State. (paraphrased)

OSA recommended the Division should:

- a. Ensure that the Contractor performs and retains adequate documentation for all required provider application verification checks. Documentation should be readily available for management, internal auditor, and external auditor reviews.
- b. Ensure that the Contractor has the policies and procedures in place necessary to provide reasonable assurance that all required provider application verification checks are performed using accurate search criteria.
- c. Ensure that it performs effective and systematic quality control reviews as a part of contract monitoring process. The reviews should include evaluating whether providers are appropriately approved and supported by sufficient evidence rather than reviewing individual steps in the process.
- d. Establish accuracy and reliability performance measures for the provider enrollment review process. The Division should include the performance measures in the contract, monitor the Contractor's compliance with the new performance measures, and hold the Contractor accountable if the measures are not met.

Agency Response (paraphrased): The Contractor began using an industry leading workflow application on July 1, 2013 that requires its enrollment and credentialing staff to utilize standardized procedures in reviewing each provider enrollment application. Pertinent images are captured during the review process and indexed to the provider's National Provider Identification number. DMA will formalize its process to monitor the Contractor's adherence to its policies and procedures to ensure the accuracy of all required provider application verification checks.

DMA and the Office of NCTracks will establish a process to monitor the Contractor's adherence to its policies and procedures to ensure providers are appropriately approved and documentation of verification and approval process is sufficient.

DHHS will seek the Contractor's agreement to performance measures specific to the accuracy of the provider enrollment review process to supplement its contractual obligation to perform in accordance with industry standard. This performance measure will be in addition to the existing standards applicable to the timeliness of its review of provider enrollment applications.

OIA Follow-up Results

The Division implemented effective and systematic quality control reviews as part of the Contractor monitoring process. Monthly, DMA Provider Services reviews a sample of completed provider applications from the Contractor to ensure adequate documentation is obtained and the appropriate enrollment determination is made. The Enrollment Application Monitoring tool is utilized when reviewing the accuracy of New/Initial Enrollments, Re-enrollments and Re-credentialing applications. This tool lists descriptions of items and documents to be reviewed for each application and enables DMA Provider Services to document any deficiencies.

The results of the reviews and deficiencies are recorded on the monthly Application Monitoring Summary Log. DMA Provider Services management reviews the summary log and forwards deficiencies noted to the Contractor for corrective action plan development. DMA follows up to ensure the Contractor has implemented the corrective action plan and documents accordingly on the Application Monitoring Summary Log.

In addition to the application reviews, DMA's Provider Services Monitoring Plan details nine monitoring activities DMA Provider Services staff is to perform to ensure all cases have been administered appropriately. DMA Provider Services Managers are required to review a specific quantity of the monitoring activities completed by their staff as part of quality control. The results of these reviews are recorded on the Management Monitoring Log, which documents the date the monitoring activity occurred, the manager who completed the review, and the rating of the review.

OIA judgmentally selected to sample the June 2016 and August 2016 Application Monitoring Summary Logs and Management Monitoring Logs to review. OIA confirmed the Division is reviewing provider applications to monitor the Contractor's performance during the provider enrollment process. OIA verified that DMA is tracking and documenting the status of applications reviewed, corrective actions required by the Contractor, and validation of corrective measures taken to resolve deficiencies. OIA also confirmed that Division management is reviewing the required quantity for each monitoring activity, as required by DMA policy.

Lastly, DMA Provider Services provided documentation from the Contractor, regarding the internal quality control process for monitoring a percentage of enrollments for accuracy. OIA reviewed the documentation and determined the Contractor's procedure provides guidance to ensure that application verification checks are performed using accurate criteria. DMA will not revise the Contractor's

contract to include performance measures as the risk is mitigated by several other controls within the monitoring process outlined in the DMA Provider Services Monitoring Plan.

OIA determined DMA has implemented changes that are adequate to resolve the risks associated with the findings and recommendations provided in the original audit report; therefore, OIA considers this finding resolved.