

EXECUTIVE DIGEST

BUREAU OF HEALTH SERVICES REVIEW

INTRODUCTION

This report contains the results of our performance audit of the Bureau of Health Services Review (BuHSR), Medical Services Administration (MSA), Department of Social Services, for the period October 1, 1989 through April 30, 1993.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency.

BACKGROUND

MSA administers the Michigan Medical Assistance (Medicaid) Program created under Title XIX of the Social Security Act. The Medicaid Program provides medical services for indigent persons in the general categories of families with dependent children; the aged, the blind, and the disabled; and other at-risk groups that meet income eligibility standards. Title XIX and related federal regulations and the Medicaid State Plan specify program requirements which

must be complied with for the State to obtain federal financial participation.

BuHSR, one of the four principal bureaus in MSA, is responsible for monitoring and taking appropriate action on providers that abuse, misuse, or overprovide services to Medicaid recipients and for monitoring the billing practices and prescribing patterns of providers. BuHSR is also responsible for administering the recipient monitoring program. In addition, BuHSR administers a contract with the Michigan Peer Review Organization for the review of inpatient hospital admissions, psychiatric inpatient hospital admissions, and continued hospital stays. Finally, BuHSR is also responsible for administering long-term complex care programs and reviewing the necessity of home health services and personal care program plans of care.

BuHSR had 116 full-time employees as of April 30, 1993. Administrative expenditures totaled \$7.1 million for the fiscal year ended September 30, 1992.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness of the BuHSR processes used to identify, monitor, and take action on providers that abuse, misuse, or overprovide services to Medicaid recipients.

Conclusion: Because of limitations on the data and information available in Medical Services Administration (MSA) and because the Surveillance and Utilization Review Subsystem (SURS) was not operational during a substantial portion of our audit period, we could not fully assess the effectiveness of BuHSR for this objective.

Based on available information, we did note several conditions that MSA should address to more effectively evaluate BuHSR activities and to identify, monitor, and take action on providers that abuse, misuse, or overprovide services to Medicaid recipients. This would include: developing formal goals to permit MSA management to evaluate the effectiveness of BuHSR's fraud and abuse detection activities and having MSA monitor potentially fraudulent claims (Finding 1); producing quarterly SURS analysis reports and monitoring providers that were not normally subjected to review as part of the SURS analysis (Finding 2); and reviewing providers identified by SURS as having the greatest risk for fraud or abuse and documenting the processes used to select for review providers that had not previously been identified by SURS (Finding 3).

In addition, we noted several other areas in which MSA could improve its effectiveness in monitoring provider activity, including: monitoring the Home Health Program and the audit function and using the case management system (Findings 4 through 6); documenting the basis for amounts that were reduced or excused from payment in the Project Death Program, re-evaluating the Drugbuster Program for possible reinstatement, and documenting physician consultants' decisions (Findings 7 through 9); improving the documentation of and the controls over the postpayment medical record review process, the disposition of cases referred to the Administrative Support Unit, and the payment validation process (Findings 10 through 12).

Noteworthy Accomplishments: MSA developed alternative review procedures to analyze and monitor recipient use of medical services. Because recipient monitoring was not directly related to our audit objectives, a review of this system was not part of our scope of audit. The Health Care Financing Administration, U.S. Department of Health and Human Services, encouraged the department to consider this system as a model for a replacement SURS. As a result, MSA is developing a relational database computer system whereby BuHSR should have greater and easier access to analyze provider payment data. BuHSR's efforts to control the costs of inpatient hospitalization, with the assistance of a contractor, also appear to be very successful. For fiscal year 1991-92, MSA estimated that the contractor's reviews resulted in program cost savings and avoided costs of approximately \$12.8 million. In addition, MSA estimated that other BuHSR provider monitoring activities resulted in additional cost savings and avoided costs of approximately \$31.3 million for fiscal year 1991-92.

Audit Objective: To assess the effectiveness of the complex care, personal care, and drug utilization programs administered by BuHSR in terms of the extent to which they improve public health and welfare while producing cost savings.

Conclusion: We concluded that MSA was reasonably effective in administering the personal care and drug utilization programs. However, MSA did not always document in case files exceptions to admission criteria, ensure that other medical information was contained in the

case files in accordance with program guidelines and requirements, and ensure that timely on-site visits were conducted for complex care programs (Finding 13).

Audit Objective: To assess the effectiveness of the BuHSR processes used to administer and control complex dental and special services provided to Medicaid recipients.

Conclusion: We concluded that BuHSR was reasonably effective in administering and controlling complex dental and special services. However, our review disclosed that BuHSR did not perform periodic reviews of dental procedure codes to determine if all applicable codes were properly designated (Finding 14).

Audit Objective: To assess the adequacy of the BuHSR internal control structure used to identify, monitor, and control providers and the adequacy of the Medicaid Management Information System (MMIS) subsystems.

Conclusion: Our assessment did not disclose any material weaknesses. However, we did identify two reportable conditions. MSA control procedures need to be improved to identify providers that submit duplicate billings and providers that bill for medical procedures provided in excess of the frequency allowed by Medicaid policy. Also, controls over the invoice processing system need to be enhanced to help prevent the processing of inappropriate provider claim adjustments and help ensure that appropriate claim adjustments are correctly processed. (Findings 15 and 16)

Audit Objective: To assess BuHSR's compliance with material provisions of federal and State laws and regulations, MSA policies and procedures, and the Medicaid State Plan.

Conclusion: We concluded that BuHSR was in substantial compliance with material provisions of federal and State laws and regulations, MSA policies and procedures, and the Medicaid State Plan. Our assessment did disclose one instance of noncompliance in which the department and MSA did not establish an incentive-based Medicaid fraud detection program in accordance with legislative intent (Finding 17).

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Bureau of Health Services Review for the period October 1, 1989 through April 30, 1993. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included a review and evaluation of the processes used by BuHSR to identify and monitor providers that abuse, misuse, or overprovide services to Medicaid recipients. We reviewed the analysis developed by the Surveillance and Utilization Review Subsystem (SURS). In addition, we evaluated audit processes and performed tests of audits conducted. We reviewed and evaluated the

methods used by BuHSR to monitor Michigan Peer Review Organization (MPRO) contract compliance.

We also reviewed the long-term complex care programs administered by BuHSR. In addition, we evaluated the reviews performed by BuHSR of the plans of care for the personal care program and the drug utilization program.

We reviewed procedures and practices of the prior authorization process for dental and special services. Also, we performed tests of the internal control structure to determine the extent to which it was operating as intended. In addition, we reviewed compliance with federal and State laws and regulations, MSA policies and procedures, and the Medicaid State Plan.

Our audit procedures included inquiry, observation, review of work flow charts, and tests of transactions and processes.

**AGENCY
RESPONSES**

Our audit report includes 17 findings and 29 corresponding recommendations. The department informed us that it agreed with 24 of our recommendations, complied with 10, and disagreed with 5.