

OFFICE OF MEDICAID INSPECTOR GENERAL

Enabling Laws

Act 259 of 2014
A.C.A. §20-77-2501 et. seq.
A.C.A. §20-77-2513

History and Organization

On April 23, 2013, Arkansas Act 1499 was signed into law creating the Arkansas Medicaid Inspector General's Office (OMIG). Act 1499 included a starting date for the new state agency of July 1, 2013. The legislative purpose of the law was to: create a new state agency in order to consolidate staff and other Medicaid fraud detection prevention and recovery functions into a single office; create a more efficient and accountable structure; reorganize and streamline the state's process for detecting and combating Medicaid fraud and abuse; and to maximize the recovery of improper Medicaid payments. Ark. Code Ann. §20-77-2501.

With the creation of the Medicaid Inspector General's Office, the Program Integrity Unit of the Arkansas Department of Human Services and its staff was transferred under the supervision and direction of the Arkansas Medicaid Inspector General. The Program Integrity Unit was formally a function of the Arkansas Department of Human Services as required by the Center for Medicaid Services (CMS) under 42 CFR §455 et al. All states that participate in the federal Medicaid program and receive funding are required to have a program integrity division that conducts Medicaid fraud investigations and audits and the Medicaid Inspector General's office fulfills that federal requirement.

The Enterprise Fraud Program was created by Act 259 of 2014 to require the Office of Medicaid Inspector General (OMIG) to establish a program focused on using state-of-the-art enterprise fraud detection technology to enhance the detection and prevention of fraud, waste, and abuse in the Arkansas Medicaid Program. The Act requires OMIG to procure, by competitive bid, an enterprise technology solution which uses current industry standards to provide: automated detection and alerting; continuous monitoring of program transactions; identification of fraud, noncompliance, and improper payments, both prospectively and retrospectively; detection of non-transactional fraud such as program eligibility issues and identity theft; use of state of the art analytical techniques; feedback and self-learning capability that allows the technology to adapt to changing schemes and trends; and demonstrated experience hosting sensitive and regulated state data.

OMIG is required to begin the design phase of procurement the Enterprise Fraud Program upon implementation of the Act. OMIG began the procurement process with the assistance of the Office of State Procurement and the Department of Human Services on April 2, 2014. The Enterprise Fraud Program is overseen by an OMIG Program Administrator, to be hired in FY15.



Agency Commentary

The Office of the Medicaid Inspector General is tasked with detecting and preventing fraud, waste, and abuse in the Arkansas Medicaid program. The Office of Medicaid Inspector General consists of 36 budgeted positions in SFY2015.

Request #1 - The Office of the Medicaid Inspector General (OMIG) requests additional funding for SFY 16 and SFY 17. OMIG requests additional state general revenue of \$77,585 for SFY 16 and \$79,342 for SFY 17. OMIG receives a minimum of 50% funding from the Medical Assistance Program federal grant. OMIG requests total additional funding of \$166,795 for SFY 16 and \$169,941 for SFY 17 which will come from state general revenue and Medicaid Title XIX (Medical Assistance Program).

Fulfillment of this request will allow the agency to primarily fund facilities and IT infrastructure. The OMIG budget for SFY 14 and SFY 15 did not include funding or appropriation for facilities and IT infrastructure. The Office of the Medicaid Inspector General has projected technology expenditures for SFY 16 and SFY 17 at \$52,214. As of the creation of the agency, no projections were made for technology expenditures.

The Office of the Medicaid Inspector General (OMIG) audits the providers of Medicaid services. With the ever changing Medicaid programs and state and federal requirements, OMIG is tasked to protect both federal and state funds. OMIG has projected that in order to fulfill the federal

requirements and state statute requirements, additional appropriation and funding is required in operating, conference and travel, and professional fees expenses commitment items. OMIG request a continuance of appropriation and funding for capital outlay commitment item.

Request #2 - The Office of the Medicaid Inspector General reallocated expenditure codes from office supplies to appropriate expenditure codes. The reallocation is based on the agency's anticipated expenditures.

Request #3 - The Office of the Medicaid Inspector General requests reclassification of 22 positions to more accurately reflect various job duties. These reclassifications will result in no additional funding above base level.

Request #4 - The Office of the Medicaid Inspector General (OMIG) is in the process of preparing a request for proposal (RFP) for the Enterprise Fraud Program. Once complete and approved by the Department of Finance and Administration (DFA) Office of State Procurement, the RFP will be sent to Center for Medicare and Medicaid Services (CMS) for approval. As required by statute, CMS must fund a minimum of 80% of the program. If funding is approved by CMS, the RFP will be issued and awarded. The Enterprise Fraud Program is remaining unfunded due to the uncertainty of CMS' approval. The state is liable for a maximum of 20% of the funding, not to exceed a total appropriation of \$4,000,000. The state funding source is undetermined at this time.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
OFFICE OF MEDICAID INSPECTOR GENERAL

Findings

Recommendations

The most recent audit report was not available at the time of printing.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2014

None

Employment Summary

	Male	Female	Total	%
White Employees	7	18	25	96 %
Black Employees	0	1	1	4 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			1	4 %
Total Employees			26	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Office of the Medicaid Inspector General - Enterprise Fraud Program Quarterly Report	A.C.A. 20-77-2513 (c)	N	Y	5	Statutory Requirement	0	0.00
Office of the Medicaid Inspector General Annual Report Report	A.C.A. 20-77-2109 (e)	Y	Y	7	Statutory Requirement	0	0.00
Office of the Medicaid Inspector General Quarterly Report	A.C.A. 20-77-2109 (a)	Y	Y	7	Statutory Requirement	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2013-2014		2014-2015		2014-2015		2015-2016						2016-2017					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
M76 Enterprise Fraud Program	0	0	0	0	4,000,000	0	0	0	4,000,000	0	4,000,000	0	0	0	4,000,000	0	4,000,000	0
M88 Office of Medicaid Inspector General	2,254,992	33	2,561,938	36	2,724,778	36	2,555,427	36	2,722,222	36	2,722,222	36	2,555,832	36	2,725,773	36	2,725,773	36
Total	2,254,992	33	2,561,938	36	6,724,778	36	2,555,427	36	6,722,222	36	6,722,222	36	2,555,832	36	6,725,773	36	6,725,773	36

Funding Sources		%		%		%		%		%		%		%		%		%
General Revenue 4000010	1,124,591	49.9	1,124,591	43.9			1,124,591	44.0	1,202,176	44.2	1,124,591	44.0	1,124,591	44.0	1,203,933	44.2	1,124,591	44.0
Federal Revenue 4000020	1,130,401	50.1	1,437,347	56.1			1,430,836	56.0	1,520,046	55.8	1,430,836	56.0	1,431,241	56.0	1,521,840	55.8	1,431,241	56.0
Total Funds	2,254,992	100.0	2,561,938	100.0			2,555,427	100.0	2,722,222	100.0	2,555,427	100.0	2,555,832	100.0	2,725,773	100.0	2,555,832	100.0
Excess Appropriation/(Funding)	0		0				0		4,000,000		4,166,795		0		4,000,000		4,169,941	
Grand Total	2,254,992		2,561,938				2,555,427		6,722,222		6,722,222		2,555,832		6,725,773		6,725,773	

Agency Position Usage Report

FY2012 - 2013						FY2013 - 2014						FY2014 - 2015					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
0	0	0	0	0	0.00 %	35	29	6	35	0	17.14 %	36	27	9	36	0	25.00 %

FY2013 Authorized and Budgeted positions total 0 due to the Agency not being established until FY2014.

Analysis of Budget Request

Appropriation: M76 - Enterprise Fraud Program

Funding Sources: PMG - OMIG Paying

The Enterprise Fraud Program was created by Act 259 of 2014 to require the Office of Medicaid Inspector General (OMIG) to establish a program focused on using state-of-the-art enterprise fraud detection technology to enhance the detection and prevention of fraud, waste, and abuse in the Arkansas Medicaid Program. The Act requires OMIG to procure, by competitive bid, an enterprise technology solution which uses current industry standards to provide: automated detection and alerting; continuous monitoring of program transactions; identification of fraud, noncompliance, and improper payments, both prospectively and retrospectively; detection of non-transactional fraud such as program eligibility issues and identity theft; use of state of the art analytical techniques; feedback and self-learning capability that allows the technology to adapt to changing schemes and trends; and demonstrated experience hosting sensitive and regulated state data.

This program is funded through a mixture of state and federal revenues and is contingent on the Center for Medicare and Medicaid Services (CMS) approving the funding. Federal revenue must comprise a minimum of 80% of the program funding.

The Agency Change Level request totals \$4,000,000 to cover the costs of establishing the program.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: M76 - Enterprise Fraud Program

Funding Sources: PMG - OMIG Paying

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2015-2016			2016-2017		
	2013-2014 Actual	2014-2015 Budget	2014-2015 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Enterprise Fraud Program 5900046	0	0	4,000,000	0	4,000,000	4,000,000	0	4,000,000	4,000,000
Total	0	0	4,000,000	0	4,000,000	4,000,000	0	4,000,000	4,000,000
Funding Sources									
Federal Revenue 4000020	0	0		0	0	0	0	0	0
Total Funding	0	0		0	0	0	0	0	0
Excess Appropriation/(Funding)	0	0		0	4,000,000	4,000,000	0	4,000,000	4,000,000
Grand Total	0	0		0	4,000,000	4,000,000	0	4,000,000	4,000,000

Change Level by Appropriation

Appropriation: M76 - Enterprise Fraud Program
Funding Sources: PMG - OMIG Paying

Agency Request

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
C05	Unfunded Appropriation	4,000,000	0	4,000,000	100.0	4,000,000	0	4,000,000	100.0

Executive Recommendation

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
C05	Unfunded Appropriation	4,000,000	0	4,000,000	100.0	4,000,000	0	4,000,000	100.0

Justification

C05	This request is for appropriation to allow the Office of Medicaid Inspector General to begin the design phase of procurement for the Enterprise Fraud Program as required by Act 259 of 2014. This program must be approved by CMS. The Enterprise Fraud Program is remaining unfunded due to the uncertainty of CMS' approval. The state is liable for a maximum of 20% of the funding, not to exceed a total appropriation of \$4,000,000. The state funding source is undetermined at this time.								
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Analysis of Budget Request

Appropriation: M88 - Office of Medicaid Inspector General

Funding Sources: PMG - OMIG Paying

The Office of Medicaid Inspector General was established by Act 1499 of 2013. This act transferred the Program Integrity section from the Department of Human Services - Division of Medical Services. The Program Integrity section is federally mandated to comply with federal regulations outlined in 42 CFR Part 455 and 456. The goal of the Program Integrity section is to ensure payments are consistent with the quality of care being provided, verify that medical services are medically necessary and rendered as billed, payments for services are correct and funds identified for collection are pursued. Program Integrity performs on-site reviews to ensure providers are in compliance with Medicaid policy.

This appropriation is funded through general revenue and federal revenues. Federal revenue is provided through the U. S. Department of Health and Human Services, Centers for Medicare and Medicaid Services.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2015 1% Cost of Living Adjustment and Career Service Payments for eligible employees. Personal Services Matching also includes a \$10 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY15 line item maximum plus the previously authorized 2015 1% Cost of Living Adjustment.

The Agency Base Level request is \$2,555,427 in FY2016 and \$2,555,832 in FY2017 with general revenue of \$1,124,591 each year and 36 Base Level positions.

The Agency Change Level request totals \$166,795 in FY2016 and \$169,941 in FY2017 and new general revenue of \$77,585 in FY2016 and \$79,342 in FY2017. The following delineates the Agency's request:

- Regular Salaries and Personal Services Matching of \$34,566 with new general revenue of \$15,900 each year due to the reclassification of twenty-two (22) positions within the Agency to comply with an Office of Personnel Management audit.
- The below requests are to fulfill federal and state regulatory requirements and for technology infrastructure expenditures which were not foreseen upon creation of the Agency:
 - Operating Expenses of \$74,057 in FY2016 and \$77,203 in FY2017 with new general revenue of \$34,926 in FY2016 and \$36,683 in FY2017.
 - Conference Fees and Travel of \$2,560 with new general revenue of \$1,178 each year.

- Professional Fees of \$5,612 with new general revenue of \$2,581 each year.
- Capital Outlay of \$50,000 with new general revenue of \$23,000 each year for unexpected equipment expenditures.

The Executive Recommendation provides for the Agency Request for appropriation only with the exception of one (1) reclassification of a DHS Program Specialist (C115) to an Administrative Analyst (C115).

Appropriation Summary

Appropriation: M88 - Office of Medicaid Inspector General

Funding Sources: PMG - OMIG Paying

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2013-2014 Actual	2014-2015 Budget	2014-2015 Authorized	2015-2016			2016-2017		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	1,486,387	1,745,353	1,713,126	1,760,027	1,788,252	1,788,252	1,760,127	1,788,352	1,788,352
#Positions		33	36	36	36	36	36	36	36	36
Extra Help	5010001	2,844	14,778	151,234	14,778	14,778	14,778	14,778	14,778	14,778
#Extra Help		1	2	2	2	2	2	2	2	2
Personal Services Matching	5010003	505,840	566,553	586,380	575,808	582,149	582,149	576,113	582,454	582,454
Operating Expenses	5020002	199,953	200,202	200,202	200,202	274,259	274,259	200,202	277,405	277,405
Conference & Travel Expenses	5050009	4,379	4,612	12,612	4,612	7,172	7,172	4,612	7,172	7,172
Professional Fees	5060010	0	0	5,612	0	5,612	5,612	0	5,612	5,612
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	55,589	30,440	55,612	0	50,000	50,000	0	50,000	50,000
Total		2,254,992	2,561,938	2,724,778	2,555,427	2,722,222	2,722,222	2,555,832	2,725,773	2,725,773
Funding Sources										
General Revenue	4000010	1,124,591	1,124,591		1,124,591	1,202,176	1,124,591	1,124,591	1,203,933	1,124,591
Federal Revenue	4000020	1,130,401	1,437,347		1,430,836	1,520,046	1,430,836	1,431,241	1,521,840	1,431,241
Total Funding		2,254,992	2,561,938		2,555,427	2,722,222	2,555,427	2,555,832	2,725,773	2,555,832
Excess Appropriation/(Funding)		0	0		0	0	166,795	0	0	169,941
Grand Total		2,254,992	2,561,938		2,555,427	2,722,222	2,722,222	2,555,832	2,725,773	2,725,773

FY15 Budget amount in Regular Salaries exceeds Authorized due to salary adjustments during the 2013-2015 Biennium.

Change Level by Appropriation

Appropriation: M88 - Office of Medicaid Inspector General
Funding Sources: PMG - OMIG Paying

Agency Request

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
BL	Base Level	2,555,427	36	2,555,427	100.0	2,555,832	36	2,555,832	100.0
C01	Existing Program	80,015	0	2,635,442	103.1	83,161	0	2,638,993	103.3
C04	Reallocation	0	0	2,635,442	103.1	0	0	2,638,993	103.3
C08	Technology	52,214	0	2,687,656	105.2	52,214	0	2,691,207	105.3
C10	Reclass	34,566	0	2,722,222	106.5	34,566	0	2,725,773	106.6

Executive Recommendation

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
BL	Base Level	2,555,427	36	2,555,427	100.0	2,555,832	36	2,555,832	100.0
C01	Existing Program	80,015	0	2,635,442	103.1	83,161	0	2,638,993	103.3
C04	Reallocation	0	0	2,635,442	103.1	0	0	2,638,993	103.3
C08	Technology	52,214	0	2,687,656	105.2	52,214	0	2,691,207	105.3
C10	Reclass	34,566	0	2,722,222	106.5	34,566	0	2,725,773	106.6

Justification

C01	The Office of Medicaid Inspector General (OMIG) has projected that in order to fulfill the federal regulatory requirements and state statute requirements additional appropriation and funding is required in operating, conference and travel, and professional fees expenses commitment line items. OMIG request a continuance of appropriation and funding for capital outlay commitment line item.
C04	OMIG reallocated expenditure codes from office supplies to appropriate expenditure codes. The reallocation is based on the agency's anticipated expenditures.
C08	OMIG has projected a need for technology expenditures at this level. As of the creation of the agency, no projections were made for technology expenditures.
C10	The reclassified positions are based on Office of Personnel Management (OPM) audit. These changes were under the direction and recommendation of OPM.