The Medicaid Managed Care Plan's Role in Preventing, Detecting, and Reporting Fraud, Waste, and Abuse

Whether perpetrated by providers or beneficiaries, fraud, waste, and abuse continues to be a major concern in Medicaid managed care. This fact sheet is intended to be for managed care organizations (MCOs), prepaid inpatient health plans (PIHPs), and other managed care entities, all of which will be referred to by the generic term, "managed care plans" (MCPs). It provides a brief overview of the role and responsibilities of MCPs in preventing, detecting, investigating, and reporting suspected fraud, waste, and abuse.

Compliance Activities Required of Managed Care Plans

Many MCPs are required by law to have in place a compliance program designed to guard against fraud, waste, and abuse. Under Federal regulations, an MCP's compliance program staff must establish and include each of the following seven elements:

1. Written policies, procedures, and standards of conduct that articulate the organization's commitment to comply with all applicable Federal and State standards.
2. A compliance officer and a compliance committee that are accountable to senior management.
3. Effective training and education for the compliance officer and the organization's employees.
4. Effective lines of communication between the compliance officer and the organization's employees.
5. Enforcement of standards through well-publicized disciplinary guidelines.
6. Internal monitoring and auditing.
7. Provisions for promptly responding to and correcting detected offenses.

Visit http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=0007b4a4e6066a08c4925b6558025169&ty=HTML&h=L&r=SECTION&n=42y4.0.1.1.8.8.112.5 on the U.S. Government Publishing Office (GPO) website to learn about the specific types of MCPs required to have such a plan and more about the 7 required elements under 42 C.F.R. § 438.608.

In addition to having the required elements mentioned above, all MCP compliance programs should adopt specific measures to prevent, detect, and report fraud, waste, and abuse. These measures are summarized below.

Prevention

Screening for Exclusions and Debarments

MCPs should screen potential and current network providers and employees to verify they are not excluded from the Medicaid program by the U.S. Department of Health and Human Services, Office of Inspector General (HHS-OIG) or debarred by Federal officials from participating in Federal contracts. Excluded persons cannot receive Medicaid payments, and the organizations they are part of cannot be reimbursed by Federal health care programs for the work they do. According to Federal regulations at 42 C.F.R. § 438.610, failure to screen for debarments can also have potentially serious consequences for the MCP. Table 1 lists the types of screening that MCPs must conduct.

Table 1. Types of Screening

Type of Screening	Responsible Entity; List Name	Where to Find Lists
Exclusion from Federal health care programs	HHS-OIG; Search the Exclusions Database. (List of Excluded Individuals/ Entities [LEIE]).	https://exclusions.oig.hhs.gov
Debarment from Federal contracts	General Services Administration; System for Award Management (SAM).	https://www.sam.gov

Using Claims Edits

In addition to screening providers and employees for exclusions and debarments, MCPs can help prevent fraud, waste, and abuse by putting automatic system edits in place. These edits should identify and prevent payment for extreme quantities of services provided on the same day, medically impossible or unlikely services, and services improperly combined or separated (bundled or unbundled).

Detection

MCPs can detect fraud, waste, and abuse by:

- Analyzing claims data to identify suspected violations;
- Auditing areas where suspicious activities have been identified;
- Making it easy for employees, network providers, beneficiaries, and the public to report suspected violations; and
- Ensuring that network providers and contractors have effective detection and reporting systems.

MCPs should encourage employee reporting by providing training that clearly explains:

- Management's expectation that employees report suspected violations;
- How suspected violations should be reported; and
- That retaliation against employees for reporting will not be tolerated.

MCPs should also ensure that network providers and subcontractors have effective fraud, waste, and abuse prevention programs. Internal and external audits may also help identify areas where fraud, waste, and abuse are occurring or where compliance programs can improve detection methods.

Investigating and Reporting

The MCP should investigate suspected offenses in the manner specified in the MCP's contract with the State Medicaid agency (SMA). MCPs should report cases of suspected fraud, waste, or abuse to the SMA, the Medicaid Fraud Control Unit (MFCU), or another designated agency as required by the MCP's contract or guidance from the SMA. Visit https://www.cms.gov/medicare-medicaid-coordination/fraud-prevention/fraudabuseforconsumers/report_fraud_and_suspected_fraud.html on the Centers for Medicare & Medicaid Services (CMS) website for a link to a current list of fraud contacts for SMAs and MFCUs.

During some investigations, the MCP may need to report immediately, such as when patient safety is at risk, evidence is being destroyed, personal health information has been stolen or illegally disseminated, or there is a significant monetary loss. MCPs should report within the time limits established by the MCP's contract or guidance from the SMA. After concluding its investigation, the MCP should refer the incident of suspected fraud, waste, or abuse to the SMA or other agency designated by contract or law.

Information on what should be included in a referral may be found in the CMS publication "Fraud, Waste, and Abuse Referral Guidelines for Use by Managed Care Plans," which is part of the "Managed Care Compliance" Toolkit available at https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/Medicaid-Integrity-Education/Provider-Education-Toolkits/managedcare-toolkit.html on the CMS website.

To see the electronic version of this fact sheet and the other products included in the "Managed Care Plan Compliance" Toolkit, visit the Medicaid Program Integrity Education page at https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/Medicaid-Integrity-Education/edmic-landing.html on the CMS website.

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