Background: 2016 Provider Audit Workgroup

- Established by SEA 364-2016; focused on improving audit process with report due by 12/1/2016
- 3 public hearings across the state and several workgroup meetings
- Agency paused Program Integrity Rule rewrite to ensure alignment
Workgroup Recommendations and Status

• Reduce lookback period
  – Addressed through rule
• Improve audit methodology
  – Addressing through policy
• Increase communication
  – Attending workshops and annual seminars; updating letters
• Provide more education
  – Posting more information at www.in.gov/medicaid/providers
Communication & Education

- Online webinars and trainings available (more in process)
- Sessions at workshops, annual seminar
- Conference/association-specific outreach
Program Integrity Rule Updates

– Overall structure
– Extrapolation methodology
– Look-back period (405 IAC 1-1.4-9(b) & (c)).
– Underpayment credit (405 IAC 1-1.4-9(e))
– Provider Education
PI Rule: Overall Structure

- Repealed various sections related to PI functions and recodified them in one rule
- Incorporated changes from ACA/federal mandates
- Clarified Pre-Payment Review process
- Addressed some issues presented by Provider Audit Workgroup
• 405 IAC 1-1.4-9(f): The amount of the overpayment made by a provider, as allowed under IC 12-15-21-3(5), by means of a random sample and extrapolation audit.

• In accordance with generally accepted statistical methods, the office shall:
  – Conduct the random sample and extrapolation audit and
  – Base the selection criteria
PI Rule: Extrapolation methodology

• Terms:
  – **Universe**- All of the claims within a procedure code or set of procedure codes during the review period.
  – **Extrapolation**- The application of the mean dollar mispayment amount from a sample of claims to a population of claims.
  – **Mispayment**- A payment amount for a health insurance claim that is either higher or lower than the expected payment amount.
PI Rule: Extrapolation methodology

- Random sampling and extrapolation
  - Selection of the review period;
  - Defining the universe, sampling unit and sampling frame;
  - Designing the sampling plan and selecting the sample;
  - Reviewing each of the sampling units; and
  - Estimation mispayment by the random sampling and extrapolation audit.
PI Rule: Extrapolation methodology

• Estimation of mispayment:
  – Point estimate of sample mean
  – Point estimate of sample standard deviation
  – Margin of error
  – Confidence Interval and Upper and Lower Bounds
  – Stratified Samples
  – PI uses the lower bound, the same methodology used by CMS, in determining the estimated amount of mispayment.
• Lookback period:
  – 405 IAC 1-1.4-9 (b)
  – Audits initiated on or before June 30, 2019: The audit look-back period shall be seven (7) years;
  – Audits initiated on or after July 1, 2019: The audit look-back period shall be three (3) years and one hundred (180) days.
  – The audit look-back period includes the timely filing period (405 IAC 1-1-3) for determining available audit dates.
PI Rule: Underpayment Credit

• 405 IAC 1-1.4-9(e):
  – Underpayments discovered in the course of an audit shall be accounted for as follows:
    • The sum of the underpayments shall reduce the sum of overpayment
    • If a provider identifies underpayments in the claims under audit for underpayments and, if the underpayments are verified by the office, the underpayments identified shall reduce the sum of overpayments.
    • Underpayments shall only reduce overpayment findings.
Questions?

Thank you!

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Appendix: Medicaid Audit Life Cycle

1. Analytic
2. Review Findings
3. Final Resolution and Education
4. Draft Audit Findings
5. Final Calculation of Overpayment
6. Request for Reconsideration
7. Collect Mispayment
8. Provider may appeal or pay