

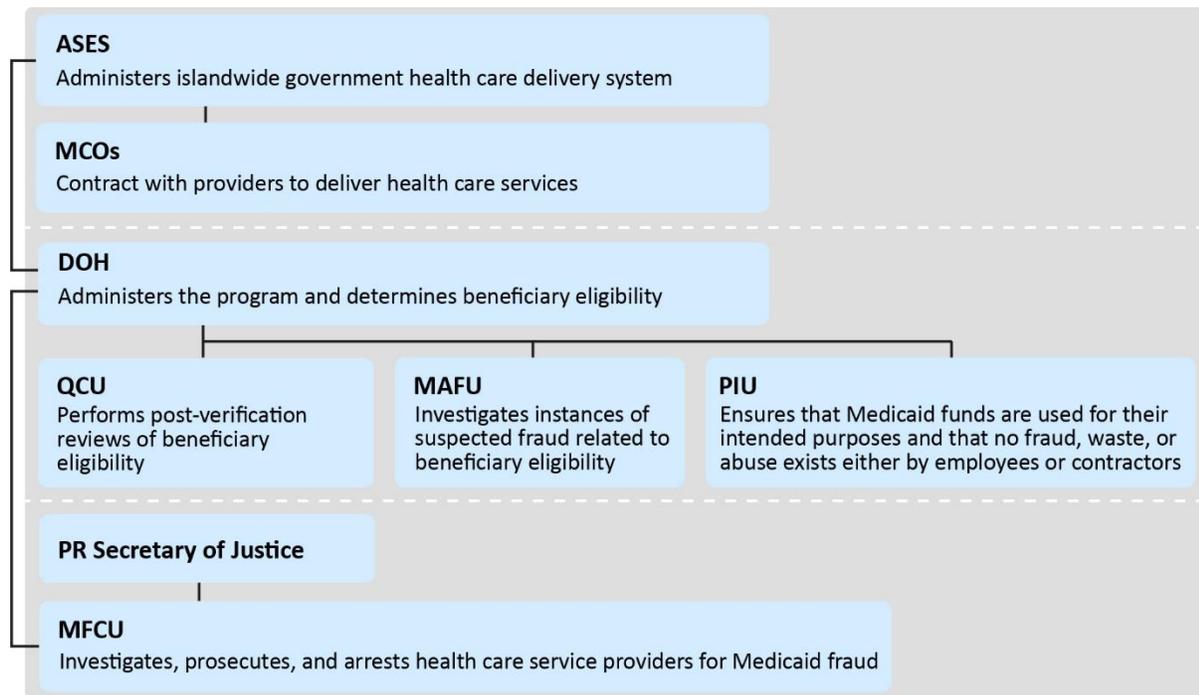
**INTRODUCTION**

**PUERTO RICO MEDICAID PROGRAM**

The Medicaid program provides medical assistance to certain low-income individuals and individuals with disabilities and is jointly funded by the Federal and State Governments. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program and approves a Medicaid State Plan.

In Puerto Rico, the Puerto Rico Health Insurance Administration (referred to in Spanish as the Administracion de Seguros de Salud de Puerto Rico or ASES) administers the island-wide government health care delivery system, which includes Medicaid. The Puerto Rico Department of Health (DOH) is the single State agency responsible for developing the Medicaid State Plan and for administering the Medicaid program. Program monitoring activities are performed by DOH’s Quality Control Unit (QCU), Medicaid Anti-Fraud Unit (MAFU), and Program Integrity Unit (PIU). DOH has cooperative agreements with ASES and with the Medicaid Fraud Control Unit (MFCU) that is part of the Puerto Rico Secretary of Justice. ASES contracts with five Managed Care Organizations (MCOs) to provide Medicaid services.<sup>1</sup> Figure 1 depicts Puerto Rico’s Medicaid program organizational structure.

**Figure 1: Puerto Rico Medicaid Program Organizational Structure**



<sup>1</sup> The five MCOs are First Medical Health Plan Inc., MMM Multi Health LLC, Molina Healthcare of Puerto Rico Inc., Plan De Salud Menonita Inc., and Triple-S Salud Inc.

## **RISK ASSESSMENT**

We conducted a high-level risk assessment of Puerto Rico Medicaid program controls and processes. We identified program integrity, beneficiary eligibility, provider enrollment, overpayment reporting, and contracting as key areas at high risk for improper Medicaid program payments. In addition, we determined that the risk of improper Medicaid program payments in Puerto Rico could be increased because there have been no recent reviews of Puerto Rico Medicaid program payments performed by CMS, and because Puerto Rico's Medicaid Management Information System (MMIS) has not been fully implemented. Finally, we identified one area (program management) at moderate risk for improper Medicaid program payments due to limitations in staff hiring and training.

## **PROGRAM INTEGRITY**

Program integrity refers to the proper management and function of the Medicaid program to ensure that quality care is provided and Medicaid funds are used appropriately and with minimal waste. According to a 2018 report issued by the U.S. Government Accountability Office (GAO), managed care programs that lacked robust program integrity activities were at greater risk of improper payments.<sup>2</sup> GAO also identified various entities that must work together on Medicaid managed care program integrity efforts. These entities include: (1) Medicaid managed care offices (such as ASES), which monitor MCO compliance with contract requirements; (2) PIUs, which identify improper Medicaid payments made by MCOs to providers; (3) MFCUs, which investigate and prosecute Medicaid fraud; and (4) MCOs, which monitor providers to ensure they are complying with program requirements.

In November 2018, DOH, ASES, and MFCU entered into an agreement that established procedures for coordinating program integrity efforts in Puerto Rico.<sup>3</sup> However, the PIU did not begin full operations until February 2019. Therefore, the role of the PIU was not incorporated into this agreement. We assessed this area as high-risk because, as of July 2020, ASES and MFCU were not coordinating program integrity efforts with the PIU that would enable these entities to share information and define program integrity responsibilities. In addition, ASES officials stated that ASES had delegated responsibility for provider oversight to the MCOs. However, ASES had not established procedures for monitoring the MCOs' program integrity efforts. A lack of coordinated program integrity activities and reliance on MCOs to conduct provider oversight increases the risk of improper Puerto Rico Medicaid program payments.

We will consider any action taken by Puerto Rico to incorporate the PIU into program integrity efforts subsequent to July 2020 as we plan future work related to the Puerto Rico Medicaid program.

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<sup>2</sup> *Medicaid Managed Care: Improvements Needed to Better Oversee Payment Risks* ([GAO-18-528](#), issued July 2018).

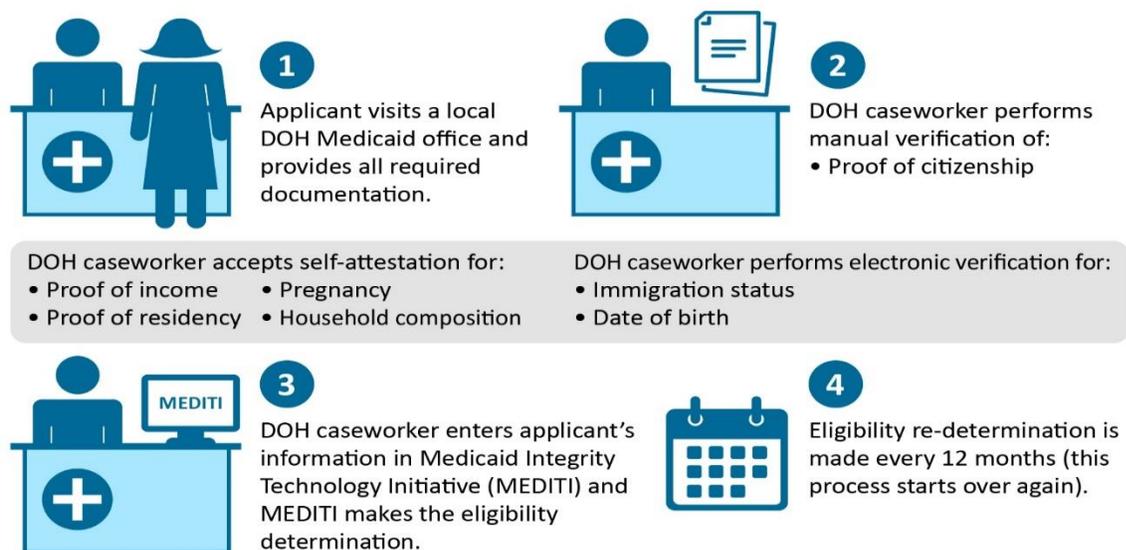
<sup>3</sup> 42 CFR § 455.21(c) and 1007.9(d).

## BENEFICIARY ELIGIBILITY

More than one-third of Puerto Rico’s 2.9 million residents are enrolled in the Medicaid program. To be eligible for the program, applicants must, among other things, demonstrate that they: (1) are U.S. citizens, nationals,<sup>4</sup> or qualified aliens<sup>5</sup> with satisfactory immigration status; (2) reside in Puerto Rico; (3) have a Social Security number;<sup>6</sup> and (4) meet income requirements.<sup>7</sup>

Figure 2 depicts Puerto Rico’s process for determining whether an applicant is eligible for the Medicaid program and for redetermining the eligibility of individuals already enrolled in the program.<sup>8</sup> Redeterminations should be conducted every 12 months or when a change in a Medicaid beneficiary’s circumstances impacts their eligibility.

**Figure 2: Medicaid Eligibility Determination Process**



<sup>4</sup> A “national of the United States” includes all United States citizens as well as persons who, though not citizens of the United States, owe permanent allegiance to the United States (8 U.S.C. § 1101(a)(22)).

<sup>5</sup> Qualified aliens include non-citizens who are lawfully admitted for permanent residence under the Immigration and Nationality Act (8 U.S.C. § 1641).

<sup>6</sup> There are limited exceptions to the requirement for a Social Security number (42 CFR § 435.910).

<sup>7</sup> States use the Federal Poverty Level (FPL) to determine whether an individual’s income qualifies for Medicaid coverage. The FPL, established in 1963, was set at three times the cost of a minimum food diet and is updated annually based on inflation and adjusted for family size and location. Puerto Rico uses a Commonwealth Poverty Level (CPL), that is about 40 percent of the FPL and has not been updated to reflect inflation since 1998. Consequently, many Puerto Rico residents not eligible for Medicaid would be eligible for the program if they resided elsewhere in the United States.

<sup>8</sup> States are required to develop a plan for verifying income and other eligibility factors (42 CFR § 435.945(j)). Puerto Rico submitted a draft of its plan to CMS in June 2017. As of July 2020, CMS had not approved the plan.

As illustrated in Figure 2, Puerto Rico must verify certain information obtained from Medicaid applicants.<sup>9</sup> Local DOH office caseworkers verify applicant's citizenship status by reviewing documents such as a birth certificate, U.S. passport, or "green card."<sup>10</sup> In addition, local DOH office caseworkers verify immigration status by checking a U.S. Department of Homeland Security (DHS) database<sup>11</sup> and verify date of birth by checking DOH's Demographic Registry.

Consistent with its submitted draft eligibility verification plan, Puerto Rico accepts applicants' self-attestations<sup>12</sup> that they meet other Medicaid eligibility requirements (e.g., proof of income, proof of residency, pregnancy status, and household composition). For example, local DOH office caseworkers accept a written statement from an applicant indicating how much money they make as proof of income.

Consistent with its submitted draft eligibility verification plan, Puerto Rico relies on a post-eligibility determination process performed by the QCU to validate applicant eligibility determinations. Each quarter, the QCU performs a manual verification of a sample of 400 eligibility determinations from MEDITI (200 positive and 200 negative).<sup>13</sup> As of February 2020, the QCU had a staff of six analysts assigned to perform this verification. To validate the eligibility determinations, the QCU analysts go to the local DOH office and review beneficiary case file documentation. To validate the income reported by the applicants, QCU analysts check data input into MEDITI from other Commonwealth agencies.<sup>14</sup> The analysts also check a U.S. Department of Health and Human Services (HHS) report from the Puerto Rico Department of Family to verify that beneficiaries are not obtaining Medicaid benefits elsewhere in the United States,<sup>15</sup> and check the DHS database to verify beneficiary immigration status for non-U.S. citizens. Finally, the analysts conduct a desk review that includes telephone calls to the 200

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<sup>9</sup> Verification is proof of an applicant's statement regarding their circumstances.

<sup>10</sup> A "green card" holder is someone who has been granted authorization to live and work in the United States on a permanent basis.

<sup>11</sup> The database is known as the Systematic Alien Verification for Entitlement (SAVE).

<sup>12</sup> A self-attestation is unverified information provided by the applicant.

<sup>13</sup> The positive sample consists of applicants determined eligible for Medicaid and the negative sample consists of applicants determined ineligible for the program.

<sup>14</sup> Other Commonwealth agencies that input data into MEDITI include the Department of Treasury (income), Department of Labor (unemployment), and Department of Natural Resources (property such as boats).

<sup>15</sup> This report is known as the Public Assistance Reporting Information System (PARIS) report. PARIS is the result of a partnership between the HHS Administration for Children and Families and states/territories to detect improper Medicaid program payments.

beneficiaries determined eligible for Medicaid to verify information related to household composition.<sup>16</sup> If fraud is suspected, the case is referred to the MAFU.<sup>17</sup>

We assessed this area as high-risk because we noted weaknesses related to Puerto Rico's post-eligibility determination process for validating beneficiary eligibility. Specifically, interagency agreements that enabled DOH to access income, unemployment, and property data input into MEDITI by other Commonwealth agencies lapsed more than 3 years ago. Although DOH continues to check MEDITI, it does not contain up-to-date information from these other agencies that DOH could use to validate eligibility. Further, QCU officials stated that some local DOH offices lost many of their applicant case files due to damage from Hurricane Maria. Finally, the acceptance of self-attestations increases the risk of improper payments should applicants provide inaccurate information related to household size and income level.

Outdated, missing, or inaccurate beneficiary eligibility information may limit the effectiveness of the QCU eligibility validation process and increase the risk that ineligible applicants will be enrolled in the Puerto Rico Medicaid program.

As resources and staffing allow, we will consider performing a future audit of Puerto Rico Medicaid program beneficiary eligibility determinations.

## **PROVIDER ENROLLMENT**

To prevent payments to ineligible providers and protect beneficiaries, Federal regulations require Medicaid agencies to identify providers excluded from participating in Medicaid by conducting monthly searches of a database maintained by the HHS Office of Inspector General (OIG) known as the List of Excluded Individuals/Entities (LEIE).<sup>18</sup> The regulations also require Medicaid agencies to screen providers prior to enrolling them in the Medicaid program and to rescreen providers at least once every 5 years thereafter.<sup>19</sup>

Prior to April 2020, ASES delegated responsibility for conducting monthly searches of the LEIE and screening/rescreening providers to the MCOs. However, ASES officials stated that ASES had not implemented procedures for monitoring MCO efforts to search for excluded providers or to screen/rescreen providers.

In April 2020, DOH assumed responsibility for conducting monthly searches of the LEIE and screening/rescreening providers. DOH began implementing a Provider Enrollment Portal (PEP) in its MMIS designed to perform monthly searches of the LEIE to ensure excluded providers are

<sup>16</sup> If the beneficiary cannot be reached by telephone or if questions related to household composition remain after the call, the analyst will visit the beneficiary's home to obtain additional information.

<sup>17</sup> MAFU officials provided documentation indicating that, since 2009, approximately 75 percent of fraud cases for which they are actively pursuing recoveries were the result of beneficiaries having higher incomes than what they reported.

<sup>18</sup> 42 CFR § 455.436.

<sup>19</sup> 42 CFR §§ 455.410 and 455.414.

prevented from participating in the Medicaid program. The PEP will also be used to screen/rescreen providers and validate their enrollment information. The PEP is expected to be fully implemented by December 2020.

DOH officials stated that beneficiaries can receive medically necessary emergency and pre-authorized health care services from providers located elsewhere in the United States. According to DOH officials, while providers generally must enroll in the Puerto Rico Medicaid program to receive payment, these providers are considered “out-of-network” providers and are not subject to screening/rescreening requirements. Moreover, DOH officials stated that provider enrollment data maintained by ASES did not include provider agreement end dates. Therefore, DOH assigned an end date of December 31, 2299, to all provider agreements in MMIS. As a result, providers continue to be listed as enrolled providers regardless of whether they continue to provide health care services to Puerto Rico Medicaid beneficiaries.

DOH officials told us that they believed the number of active providers enrolled in the Puerto Rico Medicaid program to be approximately 30,000.<sup>20</sup> However, according to Puerto Rico’s MMIS, by February 2020, 246,876 providers had been enrolled in Puerto Rico’s Medicaid program. Of the 246,876 providers, 202,646 providers (82 percent) were located outside of Puerto Rico. DOH officials stated that the PEP, when fully implemented, will enable DOH to validate enrollment data by identifying out-of-network providers and providers that no longer deliver health care services to Puerto Rico Medicaid beneficiaries.

We assessed this area as high-risk because ASES did not monitor MCOs to verify that required searches for excluded providers and screening/rescreening of providers were being performed. We also considered the risk that ineligible providers remain enrolled in the Puerto Rico Medicaid program to be high because the PEP has not yet been fully implemented. Without effective provider screening, Puerto Rico may be putting Medicaid beneficiaries at risk and are at greater risk of making improper payments.

We will consider any action taken by Puerto Rico to fully implement the PEP subsequent to July 2020 as we plan future work related to the Puerto Rico Medicaid program.

## **OVERPAYMENT REPORTING**

Puerto Rico’s Medicaid program uses a managed care system under which ASES pays MCOs a monthly fee, known as a capitation payment, on behalf of each beneficiary for the provision of a comprehensive range of medical services.<sup>21</sup> The capitation payment is based on a variety of factors, including demographic factors such as the beneficiary’s age and gender, and health-related factors such as the diagnosis of any medical conditions.

Prior to the start of each quarter, Puerto Rico estimates its total capitation payments to MCOs for the quarter and reports this amount to CMS on Form CMS-37, *Medicaid Program Budget*

<sup>20</sup> DOH considers providers to be active if they treat and bill for services for Puerto Rico Medicaid beneficiaries, regardless of whether the providers are located in Puerto Rico.

<sup>21</sup> Capitation payments are calculated in advance and remain fixed for a set period of time regardless of how often the beneficiary needs services.

*Report.*<sup>22</sup> CMS uses this information to determine its quarterly grant award to Puerto Rico and to aid in its development of the Federal Medicaid budget. Throughout each quarter, Puerto Rico incurs Medicaid expenditures and withdraws Federal funds to cover the Federal share of those expenditures. Within 30 days after the end of each quarter, Puerto Rico reports its actual capitation payments made to MCOs as expenditures on Form CMS-64, *Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program*.<sup>23</sup> Federal regulations require the amounts reported on the form to represent actual recorded expenditures derived from source documents—not estimates.<sup>24</sup>

In accordance with sections 1903(d)(2) and (d)(5) of the Social Security Act (the Act), States report the amount of overpayments on the Form CMS-64 as an offset to expenditures.<sup>25</sup> If the Federal share of overpayments is not reported or is underreported, Federal Medicaid reimbursement for the quarter will be higher than it should be.

We determined that Puerto Rico did not report any overpayments on the Forms CMS-64 filed for the quarters ended December 2017 through March 2020. PIU and MFCU officials stated that while they had identified potential overpayments made to providers, they had not collected them because both agencies had only recently begun program operations.<sup>26</sup> Moreover, neither unit had procedures for reporting such overpayments.

Finally, MCOs periodically identify and recover overpayments made to providers that, when refunded to the Commonwealth, should be reported on the CMS-64. According to Federal regulations and the terms of their contracts with ASES, MCOs are also required to report overpayments to ASES on an annual basis for use in calculating future capitation payments.<sup>27</sup> However, we noted that CMS raised a concern in its 2016 focused review of Puerto Rico's Medicaid program that “only one of three MCOs selected for review reported any overpayments since being awarded the contract.” CMS concluded that “for a Medicaid program of this size, the amount of overpayments is quite low.”

We assessed this area as high-risk because Puerto Rico's lack of procedures for reporting overpayments on the Form CMS-64 increases the risk that CMS may make funding decisions regarding Puerto Rico's Medicaid program based on incomplete information. In addition, ASES may not be receiving overpayment data from MCOs needed to accurately calculate future capitation payments. As a result, there is a risk that the Federal Government may be providing Federal funds for excessive or erroneous Medicaid program expenditures.

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<sup>22</sup> States use the Form CMS-37 as a statement of their funding requirements for the upcoming quarter.

<sup>23</sup> Encounter data and payments made by MCOs to providers are not reported on the CMS-64.

<sup>24</sup> 42 CFR § 430.30(c)(2)).

<sup>25</sup> Overpayment collections are reported on lines 9.A through 9.E of Form CMS-64. These collections may include capitation payments and MCO payments made to providers.

<sup>26</sup> The PIU began full operations in February 2019 and the MFCU began full operations in July 2019.

<sup>27</sup> 42 CFR § 438.608(d)(3)-(4).

As resources and staffing allow, we will consider performing a future audit of Puerto Rico Medicaid program overpayment reporting.

## CONTRACTING

As described earlier, Puerto Rico's Medicaid program is a subset of a larger public government health care delivery system administered by ASES. During the period July 1, 2019, through June 30, 2020, ASES was a party to 74 active contracts,<sup>28</sup> totaling \$2.8 billion, for health care and other services provided by public and private entities. During the period October 1, 2019, through September 30, 2020, DOH was a party to 77 active contracts,<sup>29</sup> totaling \$122 million, with public and private entities to perform various functions including information technology and professional services such as accounting, legal, and human resources.

We assessed this area as high-risk because of recent arrests, referrals, and investigations related to contract fraud in Puerto Rico.

- In 2019, the U.S. Department of Justice announced arrests and criminal charges against six people, including the former executive director of ASES,<sup>30</sup> for unlawfully steering approximately \$15.5 million in Federal contracts to politically connected consultants.
- In June 2020, the Puerto Rico House of Representatives referred top public officials to Commonwealth and Federal law enforcement authorities for possible legal, ethical, and administrative violations related to a DOH contract totaling \$38 million for the purchase of 1 million COVID-19 test kits. The test kits were never approved by the U.S. Food and Drug Administration and did not arrive by the agreed-upon date.<sup>31</sup> In addition, the contract was awarded to a small construction firm with political and financial ties and no previous experience in medical devices.
- The OIG Office of Investigations is currently collaborating with Commonwealth and other Federal law enforcement agencies on active cases related to the Puerto Rico Medicaid program.

We note that GAO has been mandated by law to issue a report to Congress on contracting oversight and approval under Puerto Rico's Medicaid State Plan and we have been coordinating

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<sup>28</sup> The ASES contracts had effective dates from September 11, 2018, until June 30, 2024.

<sup>29</sup> The DOH contracts had effective dates from January 15, 2015, until September 30, 2030.

<sup>30</sup> U.S. Department of Justice, U.S. Attorney's Office, District of Puerto Rico, *Press Release*, July 10, 2019, available at <https://www.justice.gov/usao-pr/pr/former-secretary-puerto-rico-department-education-and-former-executive-director-puerto-1>.

<sup>31</sup> Health Commission of the Commonwealth of Puerto Rico's House of Representatives, *Second Partial Report of House Resolution 1741*, June 30, 2020, available at <http://www.tucamarapr.org/dnncamara/Documents/Measures/98b9944b-7f6f-4ae4-bdc9-e2b7395419e9.pdf>.

with GAO regarding their report.<sup>32</sup> GAO officials stated that they plan to review the Federal requirements that govern Puerto Rico’s Medicaid contracting process and interview officials from Puerto Rico agencies engaged in contracting to determine their contracting practices. GAO also plans to assess documentation of compliance with Federal contracting requirements by reviewing contracts associated with nine ASES and DOH procurements in place as of April 1, 2020. Finally, GAO plans to analyze CMS’s oversight of Puerto Rico’s Medicaid contracting process. As part of this work, GAO plans to interview CMS officials engaged in oversight of Puerto Rico’s Medicaid contracting process and analyze supporting documentation for the selected contracts. We will continue coordination with GAO and will incorporate the results of their work as appropriate as we consider future work related to the Puerto Rico Medicaid program.

**OTHER HIGH-RISK FACTORS**

The Federal Government pays its share of the capitation payments reported by Puerto Rico on the Form CMS-64 based on the Federal medical assistance percentage (FMAP). As shown in Figure 3, ASES made capitation payments in February 2020 totaling \$212,393,861 to the five MCOs in Puerto Rico.

**Figure 3: Capitation Payments to Puerto Rico MCOs (February 2020)**

MCO	Capitation Payment
Triple-S Salud, Inc.	\$67,697,702
MMM Multihealth LLC	51,822,914
First Medical Health Plan, Inc.	47,233,800
Molina Healthcare of Puerto Rico, Inc.	32,232,525
Plan de Salud de Menonita, Inc.	13,406,920
<b>Total</b>	<b>\$212,393,861*</b>

\* This amount represents the capitation payments made by ASES to the MCOs for beneficiaries in federally funded programs.

MCOs contract with health care providers and use the capitation payments to pay for health care services for beneficiaries. Each MCO determines how it will reimburse providers. For example, an MCO may reimburse providers on a fee-for-service basis or by paying a fixed periodic amount.

To receive payment for services, providers must submit an electronic or paper claim to a beneficiary’s MCO within 90 days from the beneficiary’s treatment date. The claim must include information about services provided to the beneficiary. This information is known as “encounter data.” The claim also provides diagnostic information to justify the medical need for the services/treatments billed. MCOs are required to maintain the encounter data.<sup>33</sup> MCOs are

<sup>32</sup> Public Law (P.L) No. 116-94 § 202(f)(2)(A).

<sup>33</sup> 42 CFR § 438.242.

also required to send encounter data on a monthly basis to ASES,<sup>34</sup> which uses the data to set capitation payments. The MCOs also send the encounter data to the MMIS.<sup>35</sup>

We determined that the risk of improper Medicaid payments made in Puerto Rico could be increased because there have been no recent reviews of Puerto Rico Medicaid program payments (e.g. capitation payments and payments made by MCOs to providers) performed by CMS, and because Puerto Rico's MMIS has not been fully implemented.

### **Medicaid Program Payment Reviews**

CMS's efforts to ensure financial oversight of Medicaid program payments include: (1) focused reviews of managed care programs,<sup>36</sup> (2) reviews performed by Unified Program Integrity Contractors (UPICs),<sup>37</sup> and (3) Payment Error Rate Measurement (PERM) reviews.<sup>38</sup>

CMS last performed a focused review of Puerto Rico's managed care program in March 2016. In a report summarizing the results of this review, CMS noted that due to extremely low staffing of program integrity positions, ASES relied heavily on MCOs to identify and detect fraudulent billing activity and perform provider enrollment screening functions. In addition, CMS found that the number of investigations, criminal referrals, and overpayment recoveries by the MCOs was small given the size of the program. CMS also found that ASES did not ensure that the MCOs were conducting required searches for excluded providers. Finally, CMS found that Puerto Rico's managed care contracts did not contain certain required provisions for suspending payments to providers suspected of fraud.<sup>39</sup>

Since the March 2016 review, CMS has undertaken an effort to integrate Medicare and Medicaid audits and investigations within defined geographic areas. Specifically, CMS has contracted with private sector organizations known as UPICs to evaluate records that providers have on file

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<sup>34</sup> 42 CFR § 438.604.

<sup>35</sup> MMIS reports encounter data on a monthly basis to CMS's Transformed Medicaid Statistical Information System (T-MSIS). CMS uses T-MSIS to collect detailed information, such as MCOs' names, the eligibility groups they cover, their service areas, diagnosis codes and procedure codes associated with treatments, and the amount paid by MCOs to providers.

<sup>36</sup> Focused reviews consist of an in-depth assessment of a State's program integrity activities to identify risks and vulnerabilities to the Medicaid program.

<sup>37</sup> UPICs review claims and conduct medical reviews to assist in the recovery of Medicaid overpayments to health care providers.

<sup>38</sup> PERM reviews consist of a review of medical records to determine if Medicaid payments complied with applicable requirements.

<sup>39</sup> In response to the 2016 program integrity review, Puerto Rico submitted a corrective action plan (CAP) to CMS in December 2016. Due to Hurricane Maria and staffing changes, Puerto Rico was unable to provide CMS with detailed information needed to determine whether the identified deficiencies had been corrected. Therefore, the CAP remains open at this time. CMS officials stated they are in the process of obtaining updated information on Puerto Rico's program integrity efforts since 2016 and plan to conduct a complete review of the proposed corrective actions during the next focused review.

to support their claims for Medicaid reimbursement for health care services. However, ASES officials stated that, as of July 2020, no UPIC audits had been performed in Puerto Rico.

Separately from the UPIC review, HHS is also required to report the estimated amount of improper Medicaid payments annually to Congress. CMS developed the PERM program to review each State every 3 years to produce national and State-specific improper payment rates. As of July 2020, CMS was not statutorily required to conduct PERM reviews of Puerto Rico.<sup>40</sup>

Medicaid program focused, UPIC, and PERM reviews serve to verify that Medicaid payments were for covered services that were actually provided, properly billed, and documented. These reviews reduce the risk of payment of duplicate claims, claims for services that were not provided, and other inappropriate billing scenarios. The lack of review of Puerto Rico's Medicaid program payments increases the risk of improper payments.

### **MMIS Implementation**

To receive Federal Medicaid reimbursement, the Act requires States and territories to implement an electronic claims processing and information retrieval system to support the administration of the program. This system, known as the MMIS, includes automated claims processing subsystems that support program integrity activities.<sup>41</sup> CMS validates and certifies each State Medicaid program's MMIS to ensure it satisfies regulatory requirements and CMS directives. CMS pays 90 percent of the cost to build a new MMIS and 75 percent of maintenance and operations costs. In October 2016, Puerto Rico contracted with outside vendors to design, develop, and implement its MMIS. In March 2018, DOH completed the first phase of its MMIS implementation that enabled encounter data submitted by MCOs to be reported to CMS. As of July 2020, Puerto Rico was working to implement a second phase of its MMIS that will improve system speeds and improve provider oversight under the PEP. DOH officials stated that they expected the second phase to be implemented by December 2020. Additional phases designed to augment and improve MMIS data quality and timeliness are estimated to be implemented by June 2022.

The MMIS plays a critical role in ensuring that health care providers comply with Medicaid billing requirements. The lack of a fully implemented MMIS increases the risk of improper payments. In addition, staff working on the MMIS are contracted on a monthly basis through a temporary employment agency. High turnover in these positions likely prevents development of institutional knowledge and skill necessary to effectively operate the MMIS.

We plan to initiate two audits in fiscal year 2021 related to potentially improper capitation payments. Specifically, we will determine if Puerto Rico improperly claimed Medicaid reimbursement for capitation payments on behalf of deceased beneficiaries and beneficiaries assigned multiple Medicaid identification numbers. We have decided to

<sup>40</sup> Section 202 of the Further Consolidated Appropriations Act, 2020, P.L. 116-94, required Puerto Rico to publish a plan (by June 2021), in coordination with and approved by CMS, to develop measures to satisfy the PERM requirements.

<sup>41</sup> OIG initiated an audit of Puerto Rico's MMIS and Medicaid enrollment and eligibility systems to assess the cybersecurity defenses of each system in June 2020. We expect to issue the audit report in fiscal year 2021.

focus on these two program payment issues because previous Office of Inspector General audits noted significant findings in other States related to improper capitation payments made on behalf of beneficiaries.

## **PROGRAM MANAGEMENT**

Since 2002, Puerto Rico has operated at a deficit (i.e., expenses exceed revenues). Puerto Rico's recurring practice of using debt to address the deficit has resulted in an economic crisis. In 2016, Congress enacted the Puerto Rico Oversight, Management, and Economic Stability Act, which established the Financial Oversight and Management Board (FOMB) to oversee Puerto Rico's finances and restructuring of its debt. Over the past several years, fiscal plans developed by the FOMB and Puerto Rico's government have included deep cuts to Commonwealth funding for Medicaid. In addition, limitations in hiring by government agencies, in the form of a hiring freeze and layoffs, were implemented. In addition, DOH officials told us that training funds have been limited.

The limitations in hiring and reductions in training opportunities prevent development of institutional knowledge and skill necessary to effectively operate the Puerto Rico Medicaid program. However, Puerto Rico was able to partially mitigate this risk by hiring subcontractors to provide short-term continuity to program operations. Therefore, we assessed this area as moderate risk.

## **CONCLUSION**

Based on the results of our high-level risk assessment, we determined that to protect Federal funds by identifying inaccurate program payments, audits of Puerto Rico's Medicaid program are warranted. We have used the results of this assessment to set priorities for performing these audits. We plan to initiate two audits in fiscal year 2021 related to potentially improper capitation payments. Specifically, we will determine if Puerto Rico improperly claimed Medicaid reimbursement for capitation payments on behalf of deceased beneficiaries and beneficiaries assigned multiple Medicaid identification numbers.

In addition, as resources and staffing allow, we plan to consider performing future audits on the remaining areas identified in our high-level risk assessment, including program integrity, beneficiary eligibility, provider enrollment, overpayment reporting, and contracting.