



The state of oversight and program integrity in managed care

KPMG Government Institute

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The effective oversight of a state’s managed care partners is imperative for a resilient, cost-effective, and high-integrity Medicaid program. A strong regulatory and policy framework is the foundation for this effective oversight. As the Centers for Medicare and Medicaid Services (CMS) and many states have indicated through regulatory updates and oversight reports, the strength of that framework only becomes more important as a managed care program grows and as the healthcare landscape continues to change. Three components of managed care oversight and program integrity discussed in this brief include:

1. Managed care organization (MCO) monitoring and regulatory framework
2. Fraud, waste, and abuse (FWA) and improper payments in a managed care context
3. The role of intelligent automation in managed care oversight and program integrity.

MCO monitoring and regulatory framework

Under CMS’s 2016 managed care mega-rule, federal regulations concerning Medicaid managed care are undergoing a process of significant reform to increase access to care, improve the quality of care delivered, and contain costs.¹ While these reforms are designed to streamline and strengthen managed care, it has brought to light broader questions of the integrity of managed care programs and their effectiveness in operation, particularly when it comes to oversight and FWA monitoring.

An effective oversight framework hinges upon the eight oversight areas shown below.



Implementing this framework and the ability to pull in various sources of data, draw comparisons across MCOs, and present actionable information regarding MCO compliance with state and federal standards will be paramount for states. These capabilities can support states along their path to greater MCO oversight. Milestones along that path involve:

- Assessing and updating the regulatory and contractual framework for MCO oversight within your state to enhance consistency with federal requirements and other policy initiatives
- Developing an ongoing MCO engagement strategy for communicating and implementing the high-impact policy changes resulting from this process
- Performing ongoing monitoring of MCOs for consistent compliance with all performance and reporting requirements.

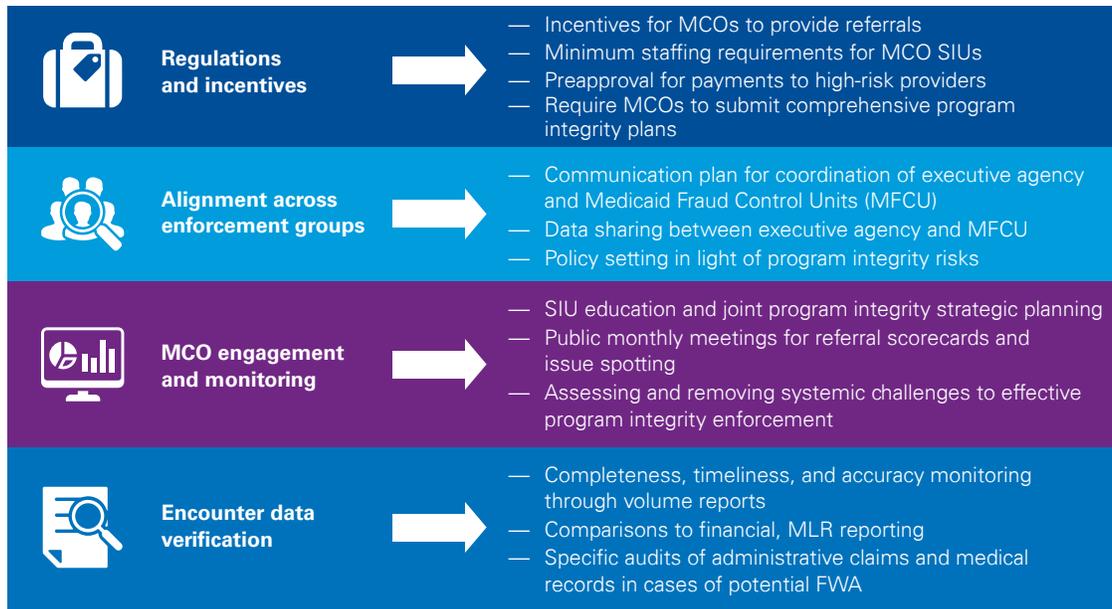
FWA and improper payments in a managed care context

The Government Accountability Office reported that for fiscal year 2016, improper payments were an estimated 10.5 percent of federal Medicaid expenditures nationally. As Medicaid managed care continues to grow as a percentage of Medicaid expenditures nationwide (42.6 percent of spending as of 2016²), more political and financial investments in FWA activities within this space will likely be made.

¹ <https://www.federalregister.gov/documents/2016/05/06/2016-09581/medicaid-and-childrens-health-insurance-program-chip-programs-medicare-managed-care-chip-delivered>

² <http://www.kff.org/other/state-indicator/total-medicare-mco-spending/?currentTimeframe=0&sortModel=%7B%22c%20old%22:%22Location%22,%22sort%22:%22asc%22%7D>

Due to our experience advising state Medicaid programs, KPMG LLP (KPMG) has identified the below challenges to FWA detection and recovery within Medicaid managed care:



The role of intelligent automation in MC oversight and program integrity

The convergence of robotic process automation, machine learning, cognitive computing, and artificial intelligence (together also known as intelligent automation) is driving unparalleled business transformation. Implementing process automation can allow government agencies to realize the benefits of privacy and compliance, quality and accuracy, speed, employee satisfaction, ease of deployment, and higher return on investment.

State MCO oversight groups and program integrity directors can also benefit from the positive potential of intelligent automation in their oversight practices. Potential areas in which this technology applies to MCO oversight include provider contract review, policy management, and provider screening and enrollment. Automation can come in the form of extracting data from contracts to assess compliance, identifying gaps in current policies and assessing the impact of changes, and comparing data across multiple sources to flag discrepancies and update current systems. Leveraging this automation can bring process improvement and increased efficiency to state agencies across the country.

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