



RICK SCOTT  
GOVERNOR

ELIZABETH DUDEK  
SECRETARY

February 23, 2015

Ms. Elizabeth Dudek, Secretary  
Agency for Health Care Administration  
2727 Mahan Drive  
Tallahassee, FL 32308

Dear Secretary Dudek,

Enclosed is a six-month status report on the Auditor General's *Operational Audit of the Agency for Health Care Administration - Prior Audit Follow-up and Selected Administrative Activities*, Report Number 2015-011, issued August 2014. This status report is issued in accordance with the statutory requirement to report on corrective actions resulting from the Auditor General's recommendations six months from the report date.

If you have any questions about this status report, please contact Mary Beth Sheffield at 412-3978.

Sincerely,

Eric W. Miller  
Inspector General

EWM/szg

Enclosure: Six-Month Status Report of AG Report# 2015-011

cc/enc: Kathy DuBose, Joint Legislative Auditing Committee  
Melinda Miguel, Chief Inspector General, EOG  
Justin Senior, Deputy Secretary, Division of Medicaid  
Tonya Kidd, Deputy Secretary, Division of Operations  
Stuart Williams, General Counsel



Florida Agency for Health Care Administration  
 Prior Audit Follow-up and Selected Administrative Activities – Operational Audit (Report# 2015-011)  
 Six-Month Status Report as of February 23, 2015

Finding# 1	Recommendation	Management Response as of August 27, 2014	Status of Finding as of February 23, 2015	Comments and Agency Contact
<p>Medicare Outpatient Hospital Crossover Claims. The Agency should continue efforts to reprocess the estimated \$117.66 million in Medicare outpatient hospital crossover claims identified in our report No. 2012-021, finding No. 3, and recoup any payments made that were not consistent with State law.</p>	<p>We recommend that Agency management review the Medicare outpatient hospital crossover claims identified in our report No. 2012-021, finding No. 3, as well as outpatient hospital crossover claims processed subsequent to the 2009-10 fiscal year, and initiate recoupment efforts for any payments made that were not consistent with State law.</p>	<p><u>Programming Changes</u>            The Agency completed a review of Medicaid claims reimbursed for fiscal years 2007/2008, 2008/2009 and 2009/2010 for Medicare outpatient crossover claims. The Agency worked with its fiscal agent to correct the programming for payment of Medicare outpatient crossover claims. These system corrections have been implemented over the past year, through Customer Service Request 2642 and Change Order 55328, with all system modifications completed on March 14, 2014. Consequently, claim payments are processing correctly.</p> <p><u>Recoupment of Monies</u>            The Agency's Bureau of Medicaid Policy reviewed the estimated take-back results and has developed a communication plan for provider notification and a recoupment of monies schedule. We anticipate that reprocessing efforts will be completed by the end of this calendar year.</p>	<p>Partially Corrected</p>	<p>Prior period adjustments to the CMS-64 report entries to refund the federal share of the audit amount for State Fiscal Years (SFY) 2008-2009 and 2009-2010 were made and confirmed on January 27, 2015. No adjustment has been made for SFY 2007-2008 because the Agency disagrees with the audit findings for that period.</p> <p>Provider notifications for SFY 2008-09 and SFY 2009-10 were mailed in late 2014 but were rescinded due to discrepancies identified in the data. Prior to the letters being rescinded, an extremely high percentage of providers appealed the findings. The Agency is now re-evaluating the recoupment approach and will make a final determination about next steps later in the spring.</p> <p>Cheryl Travis            (850) 412-3416</p>

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Finding# 2	Recommendation	Management Response as of August 27, 2014	Status of Finding as of February 23, 2015	Comments and Agency Contact
<p>Provider Participation. Agency policies and procedures need strengthening to ensure that providers are timely suspended or terminated from Medicaid Program participation upon the Agency's discovery that the Federal Government or another state has excluded the provider from Federally funded health care program participation.</p>	<p>We recommend that Agency management revise procedures to require that, upon discovering that a provider has been excluded from participation by the Federal Government or another state, Agency staff take immediate actions to suspend or terminate the provider's participation in the Medicaid Program and timely remove the provider's active status in FMMIS.</p>	<p>Upon discovering that a provider has been excluded from participation by the federal government or another state, the Agency will take the following actions:</p> <ul style="list-style-type: none"> <li>• Utilize the automated data match currently under construction and compare the HHS/OIG List of Excluded Individuals and Entities (LEIE) and the System for Award Management (SAM) entries with the Florida Medicaid providers in FMMIS at initial enrollment, at renewal, and monthly thereafter at the direction of Medicaid Contract Management.</li> <li>• For potential matches, the automated process will immediately place payment restrictions on all Florida Medicaid providers matched on the LEIE or SAM databases and report the action for review by Agency analysts at the direction of Medicaid Contract Management.</li> <li>• For all matched but previously terminated or denied Florida Medicaid providers, Medicaid</li> </ul>	<p>Partially Corrected</p>	<p>Automated data match of LEIE and SAM data against all provider records was installed into production January 15, 2015.</p> <ul style="list-style-type: none"> <li>• All newly submitted initial and renewing provider enrollment applications are screened against the exclusion databases upon submission.</li> <li>• All active Medicaid providers are screened monthly.</li> <li>• A daily batch processing job identifies all persons or entities added to existing provider records so that possible exclusions can be reviewed prior to the monthly screening, thus avoiding a period wherein an excluded person could be paid.</li> </ul> <p>New or renewing provider enrollment applications that have been flagged by the data match as possible exclusions are reviewed by Agency staff to validate the identities of the persons or entities with possible exclusions.</p> <p>Agency staff is reviewing the first report from the monthly match of all active providers to validate those matches. We</p>

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		<p>Contract Management will document the provider enrollment file as being excluded by the federal government or another state and will share the results of the monthly match with Medicaid Program Integrity.</p> <ul style="list-style-type: none"> <li>• Medicaid Program Integrity will evaluate monthly the matched Florida Medicaid providers currently “not yet terminated,” verify payment restrictions have been placed on these providers, and immediately pursue program suspension or termination “with-cause” procedures as well as monitor the process for timely completion.</li> <li>• The Agency acknowledges the need for immediate action when entities or individuals become excluded, in keeping with Florida law. However, it should be noted that the State of Florida’s program suspension or termination “with-cause” procedures include provider hearing and appeal rights for state administrative action. Execution of these rights may delay the conclusion of the action, issuance of the Final Order and the recording</li> </ul>		<p>anticipate this process to take six months to complete.</p> <p>After the identification is validated, the person or entity’s record is updated to reflect whether the identity positively matches an exclusion record or has been cleared.</p> <p>Cleared persons or entities will not appear on a subsequent exclusion match report unless the incoming LEIE or SAM records reflect a change, new or updated record, resulting in a new possible match.</p> <p>Shawn McCauley (850) 412-3428</p> <p>Ken Yon (850) 412-4637</p>

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		<p>of the final action in FMMIS. Nevertheless, the Agency will ensure compliance with the requirement for immediate action by restricting payments to the provider upon notification of the exclusion until confirmation of the exclusion and any subsequent legal action by the Agency is finalized.</p>		

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Finding#3	Recommendation	Management Response as of August 27, 2014	Status of Finding as of February 23, 2015	Comments and Agency Contact
<p>Performance Measures and Monetary Sanctions. The Agency should revise the methodology used to monitor the performance of the Medicaid fiscal agent and, to encourage the timely correction of performance deficiencies; the Agency should consider increasing the monetary penalties in its contract with the fiscal agent.</p>	<p>We again recommend that Agency management take the steps necessary to revise the Medicaid fiscal agent performance scoring methodology. The revised methodology should subject each individual performance measure to a monetary penalty, or assign a greater weight to the more critical performance measures, and allow scores below the lowest established scores when warranted. We also recommend that Agency management continue to consider amending the contract with HPES to provide for an escalation of monetary penalties for continued failure to achieve satisfactory levels of performance. The escalation of penalties should increase to an amount sufficient to encourage the timely</p>	<p><u>Performance Scoring Methodology</u>          The current scoring methodology used by the Agency for performance measures and monetary sanctions was originally proposed by the Agency in the pertinent section of the competitive procurement document, "RFP, Section 30.29 (8) Performance Monitoring," and was agreed to by the Medicaid fiscal agent in its Proposal. Since this is a contractual agreement, the Medicaid fiscal agent and the Agency would have to mutually agree on any changes to the contract.</p> <p>The Agency is currently working with the Medicaid fiscal agent to revise the performance scoring methodology. The Medicaid fiscal agent has submitted a draft project plan for the performance scoring reports with the following anticipated start and completion task dates. The collaboration process started July 2014.</p> <ul style="list-style-type: none"> <li>• Payment Management 1 07/15/2014 - 10/08/2014</li> <li>• General Functions 07/15/2014 - 10/08/2014</li> </ul>	<p>Partially Corrected</p>	<p>Revised performance measure scoring methodology has been developed for all report cards. The new report card scoring methodology has an escalated risk of damages, including a fine, for each item that scores below standards. Previous report cards were averaging all items on a card which caused the potential for risk of a penalty to be low. The new report card scoring methodology will be implemented for the February Report Card month. In addition, the Agency has been fining the Medicaid fiscal agent for any item(s) that score below standards for two consecutive months. The revised scoring methodology was implemented with the July and August 2014 Report Card months.</p> <p>Cheryl Travis (850) 412-3416</p>

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	correction of any performance deficiencies.	<ul style="list-style-type: none"> <li>• Systems 07/14/2014 - 10/08/2014</li> <li>• Magellan 07/17/2014 - 12/15/2014</li> <li>• Call Center 07/17/2014 - 12/10/2014</li> <li>• Payment Management 2 07/17/2014 - 02/15/2015</li> <li>• Interfaces 07/17/2014 - 01/25/2015</li> <li>• Recipient 11/28/2014 - 01/28/2015</li> <li>• Provider 11/28/2014 - 01/28/2015</li> </ul> <p><u>Contract Revision</u>            Actual and Liquidated Damages were proposed in the RFP, Section 30, and agreed to by the Medicaid fiscal agent in its Proposal. Since this is a contractual agreement, any change has to be mutually agreed upon by the Medicaid fiscal agent and the Agency. At this time the Medicaid fiscal agent has not agreed to the escalation of monetary damages for failure to achieve satisfactory levels of performance. The Agency will include an escalation of monetary damages when planning and developing the next fiscal agent contract.</p>		

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Finding# 4	Recommendation	Management Response as of August 27, 2014	Status of Finding as of February 23, 2015	Comments and Agency Contact
<p>Collection of Social Security Numbers. The Agency had not established policies and procedures for the collection and use of social security numbers or evaluated the collection and use of social security numbers to ensure and demonstrate compliance with State law.</p>	<p>To demonstrate compliance with applicable statutory requirements, we recommend that Agency management establish written policies and procedures regarding the collection and use of individuals' SSNs, develop a means to properly notify each individual regarding the purpose for collecting his or her SSN, and conduct periodic assessments of the Agency's SSN collection activities. Additionally, we recommend that Agency management enhance the Form Number Request to address whether the Agency form subject to approval will be used to collect individuals' SSNs and, if so, express the Agency's statutory authority to do so.</p>	<p>The Agency currently has procedures in place to ensure that: (i) social security numbers (SSN) are collected only when legally appropriate; (ii) it properly notifies individuals regarding the purpose for collecting their SSNs; and (iii) SSN collection activities are periodically monitored. All forms by which the Agency requests SSNs are reviewed by the General Counsel's Office to assure compliance with applicable statutory requirements prior to the form being implemented. The forms must contain the necessary notifications to the individuals before they are approved for use. By means of this process, the Agency's collection activities are monitored on a continuous basis. The Agency is amending its Forms Management Policy, No.4016, to specifically address the collection of SSNs. Any unit of the Agency requesting approval of a form that requires a SSN must explain in writing the statutory authority for collection or why collection is necessary for the performance of the Agency's duties as prescribed by law; the Office of the General Counsel will then review the</p>	<p>Fully Corrected</p>	<p>The Agency's forms management policy, #4016, was updated on October 29, 2014 to include the process described in the Agency's August 27, 2014 response.</p> <p>William Roberts (850) 412-3664</p>

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Finding# 4	Recommendation	Management Response as of August 27, 2014	Status of Finding as of February 23, 2015	Comments and Agency Contact
		<p>form request, staff justifications and basis for SSN collection, and decide whether it meets applicable federal and state law applicable to same prior to the form being authorized for use. The form that is eventually generated must also contain the explanation for why the collection of the SSN is needed.</p>		

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Finding# 5	Recommendation	Management Response as of August 27, 2014	Status of Finding as of February 23, 2015	Comments and Agency Contact
<p>Information Technology Access Controls. Agency controls over employee access to the Florida Accounting Information Resource Subsystem (FLAIR) need improvement.</p>	<p>We recommend that Agency management limit FLAIR user access privileges to only those functions needed for the performance of the user's job duties, and ensure that each user is assigned a unique FLAIR user ID. We also recommend that Agency management ensure that reviews of FLAIR access privileges are routinely performed to aid in the identification and resolution of any instances where excess or incompatible access privileges have been granted or FLAIR access is no longer needed.</p>	<p>The Bureau of Financial Services amended its procedure in October 2013 (and updated it again in July 2014) to address granting, reviewing, and terminating FLAIR access. We conduct reviews bi-annually and as staff changes; to ensure access is compatible with the employee's duties and responsibilities. The Bureau receives Personnel Action Request (PAR) forms to alert us of staffing changes. Based upon the action of the PAR, all applicable FLAIR updates are completed by 4:00 p.m. the day the action becomes effective. We are in the process of developing a profile matrix based upon user type as another method of ensuring access privileges are compatible with the employee's duties and responsibilities. We anticipate that the profiles will be developed and in effect by December 31, 2014.</p> <p>The Bureau uses the Agency's password policy #06-IT-02 to make users aware of the importance of unique passwords. Every new employee is required to take the online computer security awareness training, an Agency mandate. This</p>	<p>Fully Corrected</p>	<p>The Bureau of Financial Services updated its FLAIR Access Control policy again in September 2014 to expand upon the Bureau's responsibilities, access restrictions, and to further address the procedure for handling new access requests, access modifications, access terminations, password resets, and the bi-annual reviews.</p> <p>The profile matrix was completed in September 2014.</p> <p>The Bureau also developed a bi-annual memo that is provided to supervisors to review access granted to their direct reports.</p> <p>Anita B. Hicks (850) 412-3815</p>

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Finding# 5	Recommendation	Management Response as of August 27, 2014	Status of Finding as of February 23, 2015	Comments and Agency Contact
		<p>training covers creating unique passwords and outlines the importance of not sharing passwords. In addition, the user ID must be unique as the FLAIR system will not allow duplications and passwords must be changed at specific intervals in accordance with the Department of Financial Services' requirements.</p>		