



Medicaid

Special Report 2021

Who gives Medicaid its financial checkup? We do!

In fiscal year 2020, one in four Washingtonians relied on Apple Health, the state's Medicaid program.

It's Washington's biggest single medical program, in which the state and federal governments invested more than \$14.6 billion. The effect of the pandemic is likely to push both enrollment and expenses higher in next year's audit cycle.

To view underlying data used in this report, please see the Office of Financial Management's [website](#).



Office of the Washington State Auditor

Pat McCarthy



A message from the State Auditor

Now more than ever, accountability for public resources matters

Apple Health is one of the most important services Washington state funds, and it's also one of the state's major expenditures. It's our job at the State Auditor's Office to give Medicaid periodic checkups, through strategic use of our audit resources.

This guide will give you the basic facts of Medicaid accountability, and explain how we know what we know.

In a time of an unprecedented pandemic and resulting economic turmoil, ensuring Medicaid accounts for every tax dollar is critical. This guide is one benefit of our new [Medicaid Task Force](#), formed to better coordinate the work and findings of our audit teams. We want to provide legislators, the public and agency leaders the facts they need to help Medicaid care for Washingtonians in need.



Medicaid: Essential health care safety net for our residents

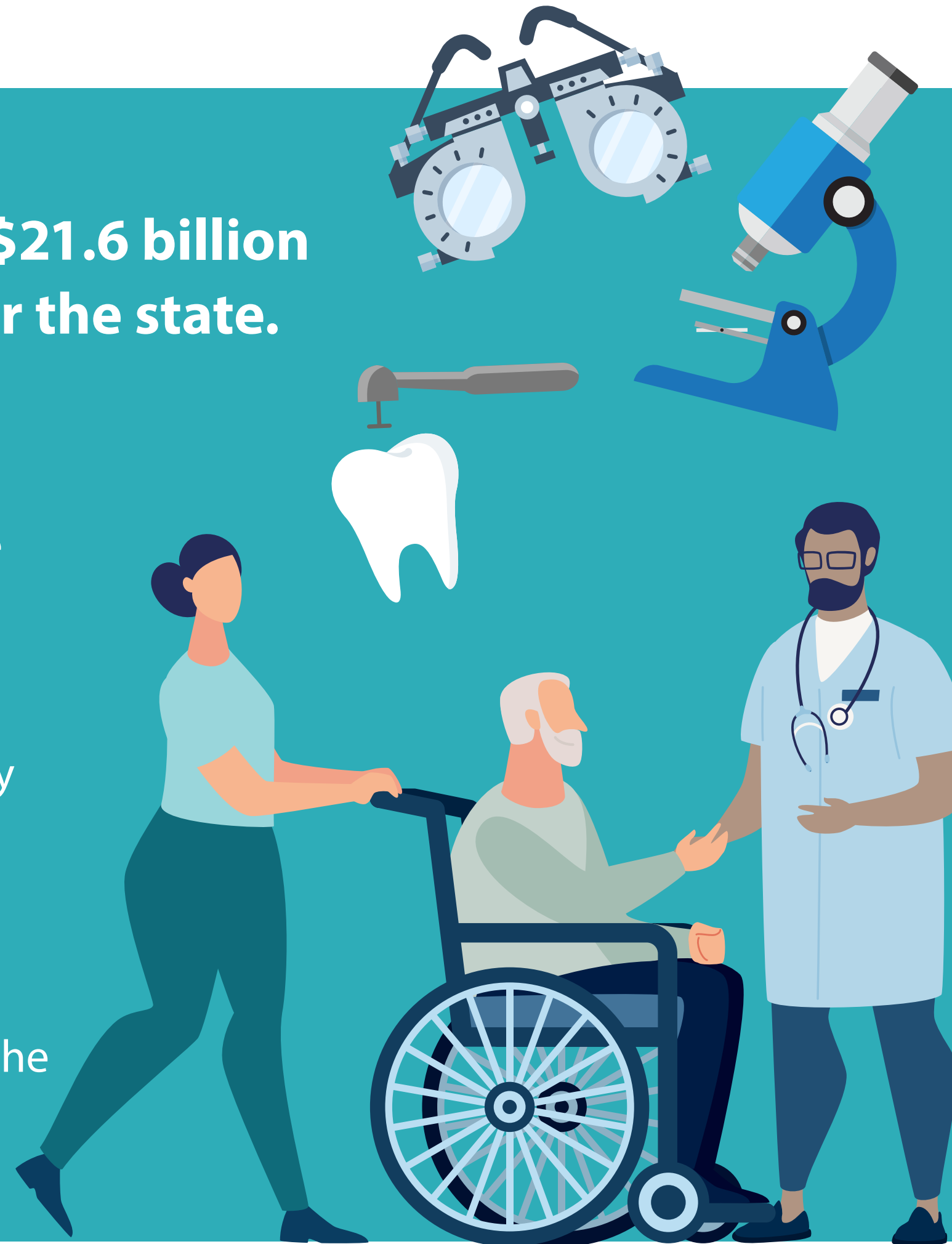
Medicaid accounts for 68% of the \$21.6 billion in human services expenditures for the state.

Medicaid is

- Jointly funded federal-state health insurance program for people with low incomes
- Called Apple Health in Washington
- Relied on by the elderly, the developmentally disabled, children and pregnant women

Health Care Authority (HCA)

Administers Apple Health, in partnership with the Department of Social & Health Services (DSHS).



Services provided by Apple Health

- Office visits with a doctor or health care professional
- Emergency medical care
- Maternity and newborn care
- Mental health services
- Short-term care services and support
- Treatment for chemical or alcohol dependence
- Pediatric services, including well-child visits, immunizations, dental and vision care
- Limited dental and vision care for adults
- Hospitalization
- Prescription medications
- Laboratory services
- Transportation to and from medical appointments, if needed
- An interpreter for appointments, if needed

Sources: [HCA Fact Sheet: About Washington Apple Health \(Medicaid\)](#) and [DSHS Long-Term Services and Supports document 22-619](#)

Medicaid: Essential health care safety net for our residents

Medicaid accounted for 37 percent of all federal money spent by state agencies in 2020. Before the pandemic, the Medicaid program accounted for about half of the state's federal spending.

2.0 million Washingtonians were enrolled in Medicaid in 2020

\$14.6 billion spent in 2020. The state's share varies depending on the specific program within Medicaid – from 10 percent to almost 50 percent.

Medicaid
37%

All other federal programs
63%



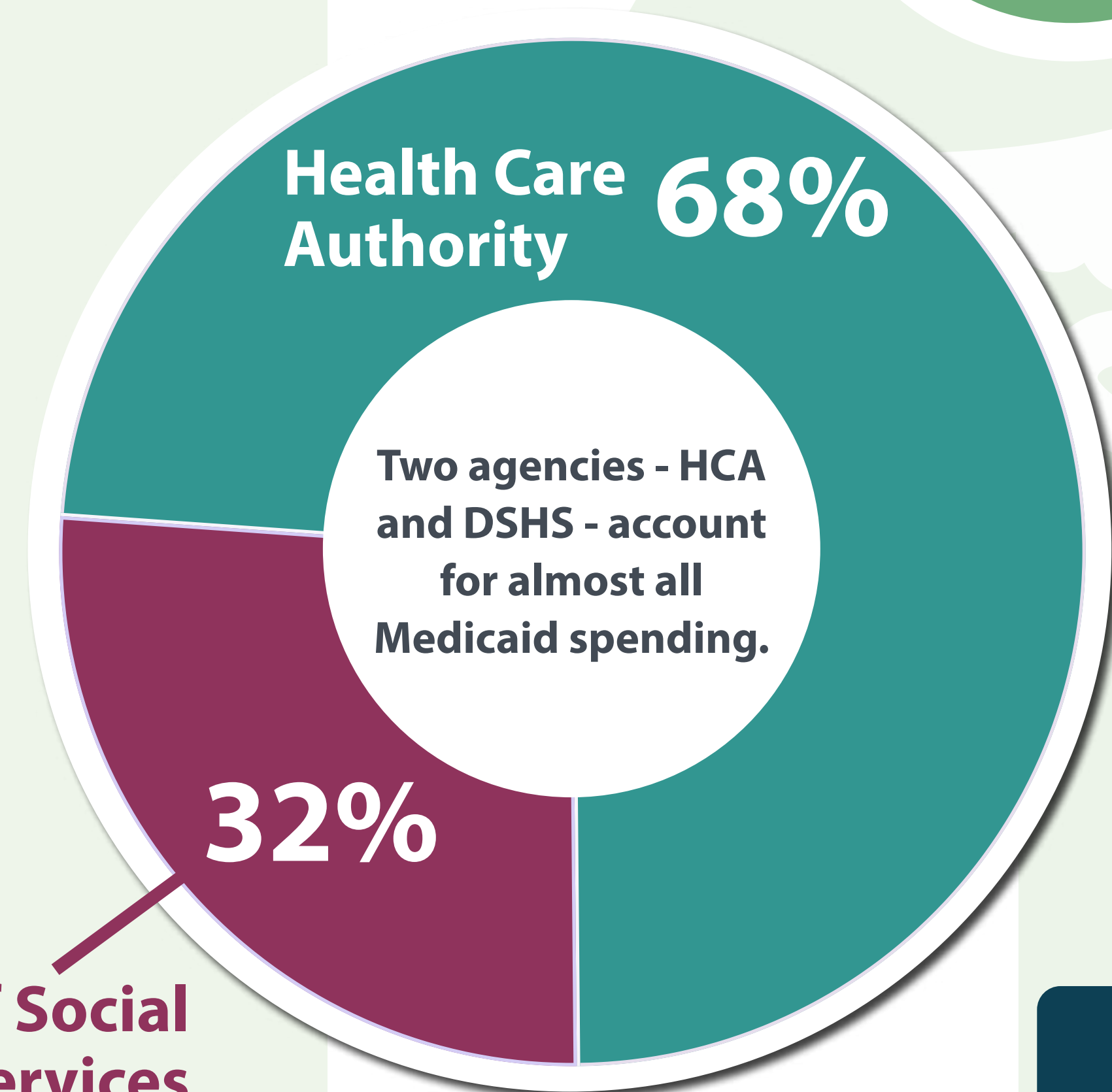
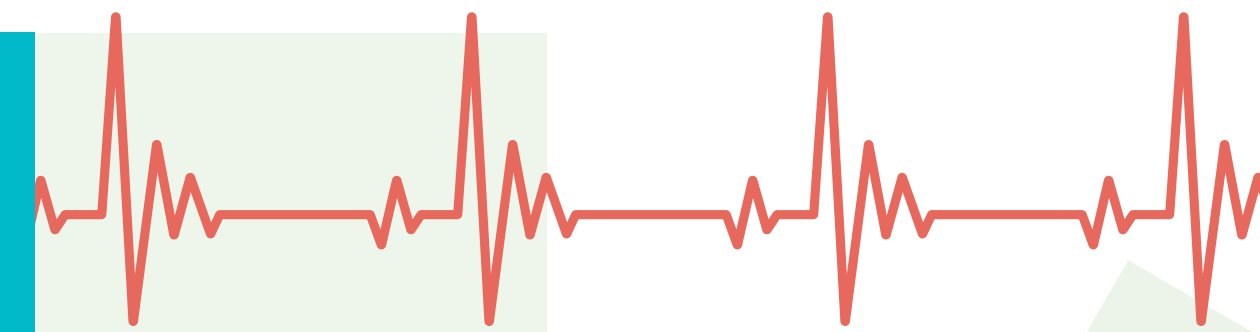
The State Auditor's Office monitors Medicaid's vital signs

\$14.6 billion in Medicaid spending subject to audit

In fiscal year 2020, total Medicaid spending made up just over a quarter of the state's operating budget.

We ensure funds are spent appropriately and used in the most effective and efficient manner. Money spent inappropriately, or lost to fraud or abuse, wastes tax dollars that could be spent on other important services for the public. Two agencies – HCA and DSHS – account for almost all Medicaid spending.

Our work also addresses the health and safety of Medicaid clients. For example, audits look at whether those providing Medicaid services have met their background check requirements – an area that regularly produces a finding each year. Furthermore, auditors dig into whether program participants have complied with federal regulations, which is a stipulation of receiving the federal share of Medicaid funding.



Department of Social and Health Services

Accountability check: Federal audit results for fiscal year 2020

10 audit findings

\$291 million – questioned costs

\$303 million – likely improper payments



Ongoing conditions

- **For 12 years, HCA has lacked adequate internal controls over data sharing with health insurers.** It also did not comply with a state law requirement to share data with health insurers at least twice a year. ([Most recent finding: 2019](#))
- **For 9 years, DSHS Developmental Disabilities Administration has lacked adequate internal controls over Medicaid payments to supported-living providers.** It also did not comply with requirements to ensure these payments were allowable and adequately supported. ([Most recent finding: 2020](#))
- **For 8 years, HCA has had deficiencies in the way it monitors its contract with a key software vendor.** HCA contracts with a vendor to process payments for Medicaid, and the state relies on the agency to monitor the vendor by using certain internal controls. In 2020 and the previous seven audits, we found issues in HCA’s monitoring and assurance about whether these controls were properly designed and operating effectively throughout the period. ([Most recent finding: 2019](#))



Remedies to promote greater efficiency

Our performance audits seek ways to improve efficiency, accountability and use of state funds.

- **Washington could strengthen its efforts to ensure it spends Medicaid funds appropriately.** As the state's largest public assistance program, Medicaid needs a robust program integrity function to ensure this is accomplished. Our audit identified a number of opportunities for HCA to improve both its program integrity efforts and its oversight of other entities' efforts. ([Washington Medicaid Program Integrity – Examining the Health Care Authority's oversight of efforts at state agencies, 2021](#))
- **Washington might increase the number of individual providers caring for Medicaid-eligible clients in their own homes.** There are benefits to expanding exemptions for individual providers to address the caregiver shortage. The report also outlines risks, and sets out the considerations for a legislative policy change to expand exemptions. ([Assessing Extended Family Exemptions for Individual Providers, 2019](#))
- **In 2017, we found that HCA could reduce spending on benefits for people who do not qualify for them by more quickly verifying their incomes.** Implementing the Affordable Care Act resulted in a backlog in the verification process so some ineligible clients received benefits. Our audit indicated that HCA could further reduce the amount of benefits purchased for ineligible clients by hiring additional verification workers. ([Reducing Costs through Faster Medicaid Income Verifications, 2017](#))

Diagnostics: Different audits review Medicaid spending

Our Medicaid Audit Task Force brings it all together

Five audit teams are responsible for reviewing different aspects of Medicaid. Some work they do is required, such as determining if federal funds were spent according to federal requirements. Other work is at our discretion, such as accountability audits that can focus on particular issues of compliance.

The members of our Medicaid Audit Task Force are drawn from those teams. They work closely to ensure our audit work is informed by the understanding of risks obtained from all our audits.

This dynamic process reflects the continually evolving nature of the Medicaid program and the various threats to its success.



Diagnostics: Different audits review Medicaid spending



Accurate recordkeeping

The state's annual **financial statement audit** checks whether Medicaid transactions are properly tracked and recorded in the accounting system in general.



Federal grant compliance

The state's annual **federal single audit** checks whether state agencies implemented adequate internal controls over Medicaid spending and followed specific federal requirements.



Safeguarding of public resources

Accountability audits of HCA and DSHS check agency compliance and controls over safeguarding of public resources, including controls over the Medicaid program designed to prevent or detect fraud and misuse. **Fraud and Whistleblower Investigations** follow up on specific instances of potential fraud or whistleblower allegations that may involve Medicaid funds.



Efficiency & Effectiveness

Performance audits may review the efficiency and effectiveness of specific Medicaid program activities or policies. **Cybersecurity audits** may review controls over the Medicaid program designed to improve the security, availability and confidentiality of data.

Medicaid in 2021



Data used to set premium rates

This audit will determine if the monthly premium rates HCA pays managed care organizations (MCO) are based on accurate data and reflect MCO program integrity efforts, such as recovered overpayments. (planned publication: Fall 2022)



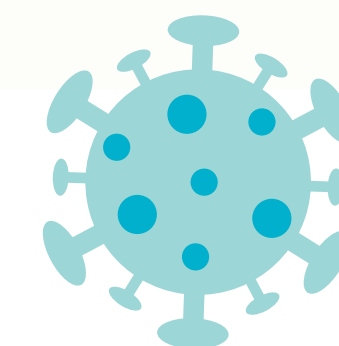
Statewide Single Audit

The 2021 single audit is underway; it assesses internal controls over and compliance with various federal requirements. Reviews include: whether certain Medicaid expenditures were allowable, whether only eligible clients and providers are enrolled in the program, and if providers are meeting certain federal health and safety standards for services provided. (planned publication: Spring 2022)



Continuing audits during the pandemic

We made the move to remote auditing in March 2020. Overall, we have found the transition to be successful and sustainable for the foreseeable future. However, we have noticed that audits sometimes take a little longer in this environment. In adapting to auditing in a remote environment, flexibility and robust communication have been key to performing timely audits.



Want to know more? Just ask us!

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