



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Accountability Audit Report**  
**Health Care Authority**

**For the period July 1, 2018 through June 30, 2019**

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**Office of the Washington State Auditor  
Pat McCarthy**

November 23, 2020

Susan Birch, Director  
Health Care Authority  
Olympia, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Authority operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Authority's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff, and we value your cooperation during the audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Audit Results.....	4
Schedule of Audit Findings and Responses.....	5
Related Reports.....	8
Information about the Authority .....	9
About the State Auditor's Office.....	10

## AUDIT RESULTS

### Results in brief

This report describes the overall results and conclusions for the areas we examined.

As referenced above, we identified areas where the Authority could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters related to Public Employees Benefits Board eligibility that we communicated to Authority management and Director in a letter dated November 10, 2020. We appreciate the Authority's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

### About the audit

This report contains the results of our independent accountability audit of the Health Care Authority from July 1, 2018 through June 30, 2019.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the State Auditor to examine the financial affairs of all state agencies. Our audit involved obtaining evidence about the Authority's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended June 30, 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Internal controls over electronic fund transfers
- Employee eligibility for insurance from the Public Employees Benefits Board
- Compliance with 2018 Session law to contract with community hospitals or freestanding evaluation and treatment centers to add long-term inpatient care beds
- Payments for periodic oral evaluations
- Payments for kidney dialysis procedures

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2019-001 The Health Care Authority did not comply with state rules to ensure Medicaid funds were spent properly for periodic oral evaluations.**

#### ***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. The Health Care Authority (Authority) is responsible for administering the Medicaid program, which is also known as Apple Health.

When an Apple Health client receives a service, providers use the ProviderOne system to bill the Authority for the claim. Dental services are claimed using Current Dental Terminology (CDT) codes and physician services use Healthcare Common Procedure Coding System (HCPCS) codes that tell the Department what the provider would like to be reimbursed for. CDT and HCPCS code D0120 correspond to periodic oral evaluations.

A state rule allows for payment of periodic oral evaluations once every six months, per client, per provider. Additionally, payments are allowed for clients of the Department of Social and Health Services Developmental Disabilities Administration, once every four months, per client, per provider.

ProviderOne has system edits that deny provider claims for CPT codes that do not meet prescribed time limits.

During state fiscal year 2019, the Authority paid about \$15 million in claims for periodic oral evaluations.

#### ***Description of Condition***

The Authority did not always comply with state rules to ensure Medicaid funds were spent properly for periodic oral evaluations.

#### ***Cause of Condition***

The Authority said two factors contributed to the improper payments.

One factor related to how the software vendor set up the system. In specific instances, the ProviderOne system assigned an existing provider a new identifying number allowing claims to process that normally would be denied.

The other factor was that one of the ProviderOne system edits was not updated. Two provider types perform periodic oral evaluations — dental providers and professional providers, such as doctors. The system edit in place during the audit period prevented dental providers from claiming the procedure for Developmental Disabilities Administration clients more than once every four months. However, that system edit was not set up for professional providers, causing periodic oral evaluation claims to be processed that did not adhere to the prescribed time restrictions.

### ***Effect of Condition***

The Authority improperly paid a total of 2,940 claims for periodic oral evaluations, resulting in total overpayments of \$79,425. We found:

- 2,860 instances for clients when the time between periodic oral evaluations was less than 180 days, resulting in overpayments of \$77,076
- 80 instances for Developmental Disabilities Administration clients when the time between periodic oral evaluations was less than 120 days, resulting in overpayments of \$2,349

### ***Recommendation***

We recommend the Authority:

- Work with its software vendor to properly set up the system's process of authorizing and assigning new providers
- Update the ProviderOne system to ensure its edit is applied to professional service providers
- Consult with the federal grantor to discuss whether the federal share of the improper payments identified in the audit should be repaid

### ***Authority's Response***

*We concur with the finding. The Health Care Authority had identified and corrected these issues prior to the conclusion of the SAO's audit, and is in the process of refunding the questions amounts to our grantor.*

### ***Auditor's Remarks***

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

## *Applicable Laws and Regulations*

WAC 182-535-1080 Covered—Diagnostic.

Clients described in WAC 182-535-1060 are eligible to receive the dental-related diagnostic services listed in this section, subject to coverage limitations, restrictions, and client age requirements identified for a specific service.

(1) Clinical oral evaluations. The Medicaid agency covers the following oral health evaluations and assessments, per client, per provider or clinic:

(a) Periodic oral evaluations as defined in WAC 182-535-1050, once every six months. Six months must elapse between the comprehensive oral evaluation and the first periodic oral evaluation.

WAC 182-535-1099 Dental-related services for clients of the developmental disabilities administration of the department of social and health services.

Subject to coverage limitations and restrictions identified for a specific service, the Medicaid agency pays for the additional dental-related services listed in this section that are provided to clients of the developmental disabilities administration of the department of social and health services (DSHS), regardless of age.

(1) Preventive services. The agency covers:

(a) Periodic oral evaluations once every four months per client, per provider.

## RELATED REPORTS

### Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at [www.ofm.wa.gov](http://www.ofm.wa.gov).

A summary of the audit for the period ending June 30, 2019, can be found at <https://www.sao.wa.gov/about-audits/about-state-government-audits/>.

### Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

### Performance audits

Initiative 900, approved by voters in 2005, gives the State Auditor's Office the authority to conduct independent performance audits of state and local government entities. Performance audits may include objective analysis on ways to improve program performance and operations, reduce costs and identify best practices.

We issued the separate performance audit reports Medicaid Fluoride Cost Savings and Reducing Costs through Faster Medicaid Income Verifications, which are available on our website, <http://portal.sao.wa.gov/ReportSearch>.



## INFORMATION ABOUT THE AUTHORITY

The Health Care Authority was created by the Legislature in 1988 and its mission is to provide high quality health care through innovative health policies and purchasing strategies. The Authority administers health care benefits for more than 2.5 million Washington residents through Apple Health (Medicaid), the Public Employees Benefits Board (PEBB) program for state government workers and retirees, the School Employees Benefits Board (SEBB) program for school district, charter school employees, and certain educational service district employees, and the COFA Islander Health Care program for people from the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

The Authority is committed to whole-person care, integrating physical health and behavioral health services for better results and healthier residents. As the largest health care purchaser in the state, they lead the effort to transform health care, helping ensure Washington residents have access to better health and better care at a lower cost. The Governor appoints a Director to lead the Authority and to oversee its approximately 1,500 employees. The Authority is based in Olympia and had an operating budget of approximately \$16.9 billion for the 2017-2019 biennium.

Contact information related to this report	
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*Information current as of report publish date.*

## Audit history

You can find current and past audit reports for the Health Care Authority at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
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