

# Iowa Department of Inspections and Appeals

## **Investigations Division**

State Fiscal Year 2018  
Activities Report

December 2018

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## Administrative Overview

The [Iowa Department of Inspections and Appeals](#) (DIA) is pleased to submit this report regarding the State Fiscal Year 2018 (SFY18) activities of the Investigations Division in accordance with [Senate File 2416](#), which states:

*By December 1, 2018, the department, in coordination with the investigations division, shall submit a report to the general assembly concerning the division's activities relative to fraud in public assistance programs for the fiscal year beginning July 1, 2017, and ending June 30, 2018. The report shall include but is not limited to a summary of the number of cases investigated, case outcomes, overpayment dollars identified, amount of cost avoidance, and actual dollars recovered.*

## Background

Located within the DIA, the [Investigations Division](#) is responsible for maintaining public assistance program integrity and accountability through the prevention, detection, and investigation of public assistance fraud and overpayments. The Division is comprised of the following areas:

- **Economic Fraud Control Bureau (EFCB)** – conducts investigations involving alleged fraud within public assistance program, from initial application through review/recertification and closure, along with investigations involving alleged divestiture fraud.
  - [Electronic Benefit Transfer \(EBT\)/Program Integrity Unit](#) – conducts investigations related to the misuse and trafficking of EBT cards.
  - [Divestiture Unit](#) – conducts investigations into transfers of assets by a person (within five years of applying for or receiving Medicaid benefits) to determine if that transfer was made inappropriately in order to obtain or maintain benefit eligibility according to Iowa Code 249F.
- **Medicaid Fraud Control Unit (MFCU)** – conducts investigations of alleged Medicaid provider fraud and criminal investigations of alleged resident abuse and neglect in Medicaid-reimbursed health care facilities.
- **Public Assistance Debt Recovery Unit (PADRU)** – collects identified overpayments of public assistance payments. Public assistance programs include the Medicaid program, the Family Investment Program (FIP), the Supplemental Nutrition Assistance Program (SNAP), Promise Jobs, HAWK-I, IowaCare, and Child Care Assistance.

Additionally, the Division has three other areas that are included in this section for reference. As their work product does not fall within the parameters of Senate File 2416, they are included here in order to provide a comprehensive picture of the Division.

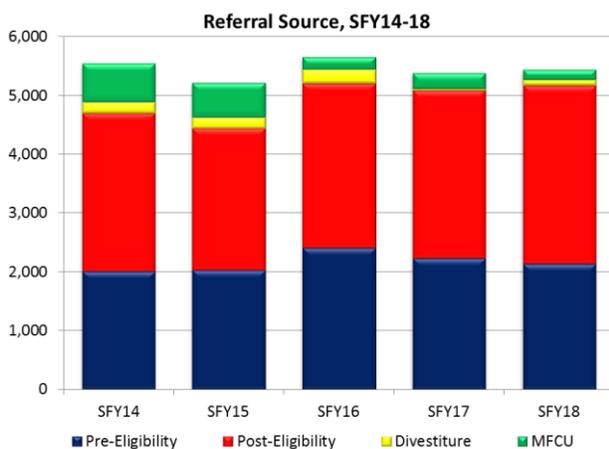
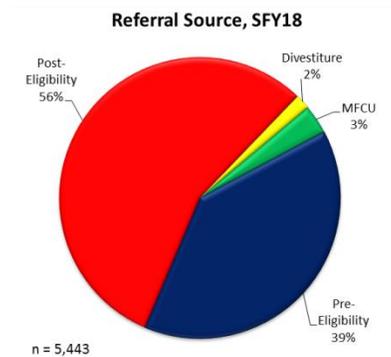
- **Human Services Audits Unit** – reviews and verifies facility billing and personal allowance accounts, ensures state billings accurately reflect the facility census and ensure expenditures of local Iowa Department of Human Services (DHS) office administrative expense claims and official receipts are in accordance with the criteria set forth by state law, rules, and procedures.
- **Professional Standards Unit** – investigates professional practice complaints on the behalf of the Iowa Department of Public Health for 20 different licensure boards regulating 39 professions. These investigations assist the licensing boards to maintain their mission of protecting the public health, safety, and welfare by licensing qualified individuals and enforcing Iowa’s statutes and administrative rules fairly and consistently.
- **Abuse Coordinating Unit** – operates Iowa’s dependent adult abuse program within the state’s facilities and programs, in accordance with [Iowa Code chapter 235E](#).

## Statistics at a Glance

### Referral Sources

During SFY18, the Investigations Division assigned a total of 5,443 referrals involving the State’s public assistance programs.

As illustrated to the right, economic eligibility referrals (both pre and post) comprised approximately 94.9% of the SFY18 referrals.

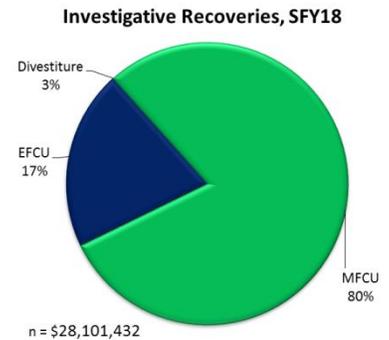


The Division has averaged 5,357 referrals over the past five years, with SFY18’s level representing a 1.1% increase from SFY17.

A comparison of referrals by program area over the last five years is illustrated to the left.

## Investigative Recoveries

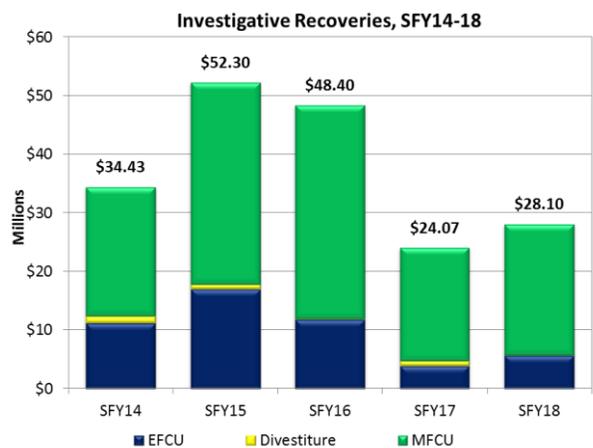
During SFY18, the Division recognized \$28,101,432 in investigative recoveries, comprised of civil judgments, criminal restitution, and cost avoidance estimates<sup>1</sup>. MFCU recoveries accounted for 79.4% of the total dollars recovered, as illustrated to the right.



The three categories of investigative recoveries are defined as follows:

- Civil judgements – a valid court order establishing a debt (from an overpayment of public assistance benefits) that a recipient must pay back to the State.
- Criminal restitution – a repayment to the state that results from a criminal conviction of a benefit recipient who was prosecuted for fraudulently receiving benefits.
- Cost avoidance (reformulated in SFY18) – the mathematical calculation of either:
  - What an application would have cost the State for a six (6) month period if the application had been approved; or
  - What a recipient receiving benefits would have continued to receive from the time the investigation concluded through the remainder of the certification period.

A comparison of investigative recoveries by program area over the last five years is illustrated to the right (in millions).



## **Economic Fraud Control Bureau (EFCB)**

Economic Fraud investigations are broken into two categories: Application & Review/Recertification (pre-eligibility) investigations and Ongoing & Closed (post-eligibility) investigations.

### Application & Review/Recertification (pre-eligibility)

Application & Review/Recertification investigations are cases referred for investigation and completed prior to the DHS certifying that a client is eligible for assistance. Investigators assist

<sup>1</sup> Cost avoidance methodology was reformulated per a DHS/DIA Kaizen event. SFY17 is the first year of this new methodology, wherein DHS is performing the calculations. The process has undergone several revisions during this FY which resulted in understated cost avoidance calculations for the Economic Fraud Control Bureau (EFCB).

in front-end detection by timely investigating referrals in error-prone cases and gathering additional information regarding a client's circumstances. Positive Application & Review/Recertification investigations prevent fraud at intake and before a dollar loss can occur, resulting in a cost avoidance figure. An investigation may also result in a civil or criminal prosecution that leads to program disqualification.

### Ongoing & Closed (post-eligibility)

Ongoing & Closed investigations are investigations completed after the DHS has determined that a client is eligible for benefits. Positive Ongoing & Closed investigations may result in civil or criminal prosecution and the establishment of a claim to recover the amount of benefits over-issued or the amount trafficked (sold or traded for personal use).

Investigations may involve applicants/recipients who misrepresent their circumstances in order to be eligible for or to receive more benefits than they would receive based on actual circumstances. This may include misrepresenting or omitting who is in the household, their income, and/or resources. Other investigations may involve unintentional errors by the recipient in reporting income or other non-financial eligibility factors.

### Process Improvement

The DIA did not conduct pre-eligibility investigations prior to SFY13. Prior to that time, the DIA received referrals from the DHS only after benefits had been issued, which often resulted in additional resources being utilized to identify and recover benefits that were already provided. There was an identified need to focus on conducting investigations early in the eligibility determination process before benefits were paid out.

In June of 2012, DHS former Director Palmer and DIA Director Roberts brought the two agencies together to conduct a Kaizen event. During the event, the two agencies created a new process for pre-eligibility investigations, streamlined the post-eligibility process, and substantially improved inter-agency communications. As a result, the total number of cases the DHS referred to the DIA increased by nearly 2,200 in SFY13 when compared with SFY12, and cost savings to the public assistance programs increased by \$25,153,844 compared to SFY12.

A week long DHS/DIA follow-up Kaizen event was held in December 2015. Strong collaboration from both agencies resulted in several procedural changes resulting in new methodologies for calculating cost avoidance. Cost avoidance is now calculated by the Integrated Claims

Recovery Unit (ICRU) created during the 2012 Kaizen event. The new processes created an even greater need for communication between agencies in their partnership to reduce fraud, waste, and abuse.

### Economic Fraud Control Unit activity

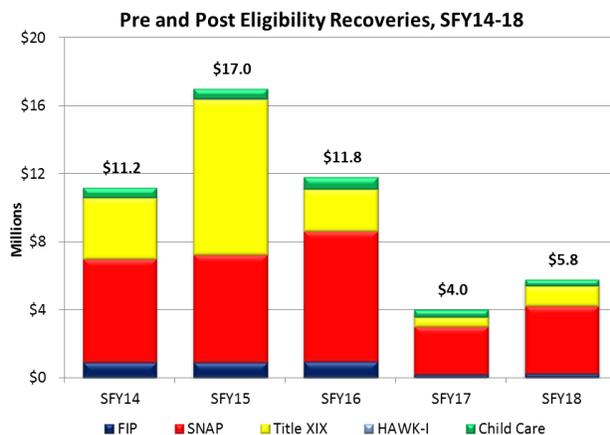
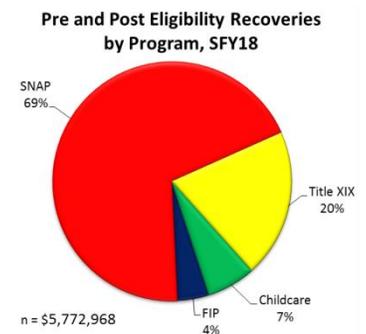
During SFY18, Economic Fraud Control Unit received 5,160 referrals, while closing 5,212 investigations. Since SFY14, the Unit has closed an average of 4,994 investigations per year.

	SFY14	SFY15	SFY16	SFY17	SFY18
Pending cases at the beginning of the FY	813	932	582	637	646
Cases Referred	4,703	4,446	5,200	5,294	5,160
Cases Completed	4,584	4,796	5,145	5,232	5,212
Pending cases at the end of the FY	932	582	637	646	594

### Investigative recoveries

During SFY18, the Division recovered \$5,772,968 as a result of Application & Review/Recertification (pre-eligibility) and Ongoing & Closed (post-eligibility) investigations.

As illustrated to the right, Title XIX and SNAP investigative recoveries comprised 89% of the SFY18 total recoveries.



A comparison of recoveries by program area over the last five years is illustrated to the left (in millions).

Title XIX and SNAP investigative recoveries account for the largest portion of pre and post eligibility recoveries over the last five years, averaging 87.2% of the total.

### **Divestiture Unit**

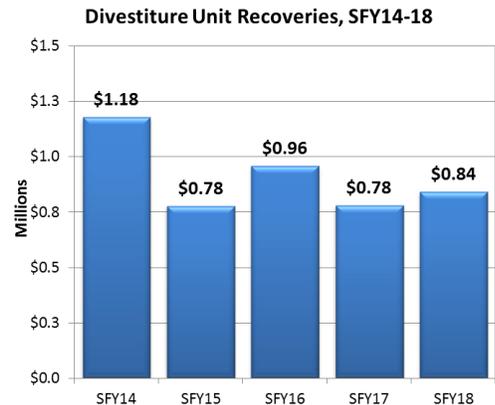
The Divestiture unit operates within the Economic Fraud Control Bureau to identify and recover assets that an individual has transferred in an attempt to improperly or illegally qualify for state public assistance funding. This unique program focuses on recovering transferred assets and ensuring

	SFY14	SFY15	SFY16	SFY17	SFY18
Pending cases at the beginning of the FY	407	321	240	181	298
Cases Referred	184	184	240	158	94
Cases Completed	270	265	299	106	108
Pending cases at the end of the FY	321	240	181	298	284

these assets, rather than Medicaid funds, are used to support the original asset owner.

During SFY18, the Divestiture unit closed 108 cases; a summary of the unit's caseload for the last five years is summarized to the right.

Those 108 case closures resulted in \$841,289 in investigative recoveries; a summary of the unit's recoveries for the last five years is illustrated to the right (in millions).



## Public Assistance Debt Recovery Unit

Once the DIA staff have identified illegally or inappropriately obtained benefits, several measures may be taken to recover the identified state-paid benefits or overpayment. An overpayment is any food program, cash, medical or vendor payment made by DHS, which is more than a person, is eligible for and is received by, or on behalf of that person.

### Overpayments

The most common reasons for overpayments include:

- A client, either intentionally or unintentionally, failed to provide correct or complete information to the field office.
- A client, either intentionally or unintentionally, failed to report changes in their circumstances due to income, household composition, lump sum payments or other benefits, employment status, or receipt of property that directly affects their eligibility.
- Alteration of a benefit check, medical card or EBT card.
- A client reported changes that affect eligibility were not updated, and the client continues to receive benefits based on information previously obtained.

### Overpayment collection

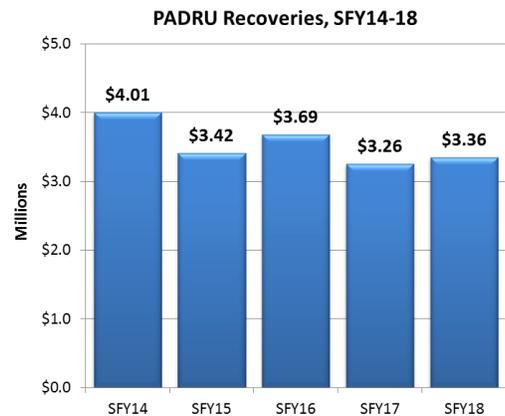
Overpayments, if not paid in full by check or money order can be collected by the following methods:

- Monthly payments can be set up by contacting the Public Assistance Debt Recovery Unit and agreeing to an approved payment plan.
- Grant reductions from active TANF (cash) cases are credited to TANF or Promise Job overpayments. Allotment reductions from active SNAP (food program) cases are credited

to SNAP overpayments. For SNAP cases, overpayments that are categorized as an intentional program violation have 20% reduction. All other overpayment program types have 10% reduction if it is due to a client error. No benefit reductions are permitted from any other program.

- State tax refunds and US Treasury (federal) payments may be offset. State offsets will be applied to both public assistance and food program overpayments. US Treasury offsets are applied only to food program overpayments.
- Wage and bank garnishments and recorded property liens may be initiated if timely payments are not made.

During SFY18, the Public Assistance Debt Recovery Unit collected \$3,356,599; the five-year trend is illustrated to the right (in millions).



## Medicaid Fraud Control Unit

Medicaid is a jointly funded federal and state health insurance program that provides healthcare to more than 617,000 Iowans. As Medicaid is both a federal and state funded program, the State of Iowa is required by Federal law to have a Medicaid Fraud Control Unit (MFCU) which is responsible for policing those federal and state dollars.

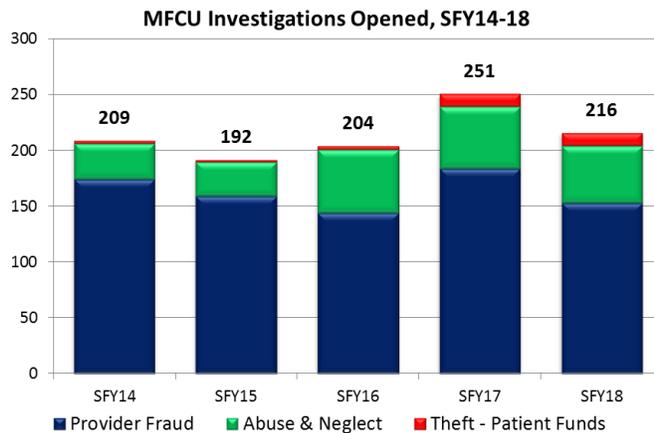
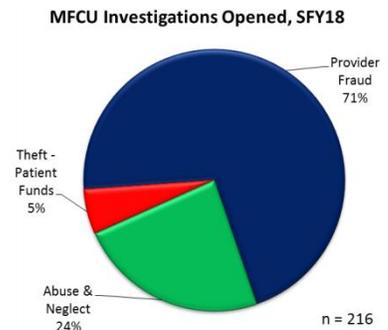
Investigators in the Unit investigate allegations of Medicaid fraud by health care providers in the State of Iowa. They also investigate allegations of abuse and neglect of residents in health-care facilities as well as allegations that residents have been defrauded of personal funds.

Common types of health care provider fraud may include:

- Billing for services not rendered;
- Billing for a non-covered service as a covered service;
- Misrepresenting dates, location, and/or provider of service;
- Waiving of deductibles and/or co-payments;
- Incorrect reporting of diagnoses or procedures (includes unbundling);
- Overutilization of services;
- Corruption (kickbacks and bribery); and/or
- False or unnecessary issuance of prescription drugs.

## Investigations opened

During SFY18, the MFCU received 472 complaints of Medicaid fraud, suspected patient abuse or neglect, or theft of patient property. Of the complaints received, 216 resulted in a formal investigation being opened, with approximately 71% of the opened investigations relating to suspected provider fraud, as illustrated to the right.



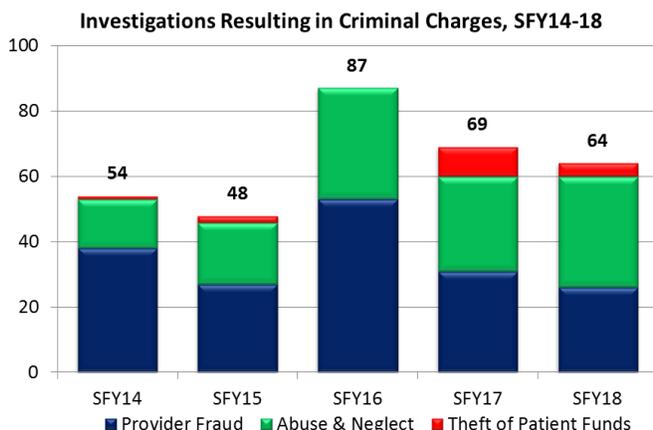
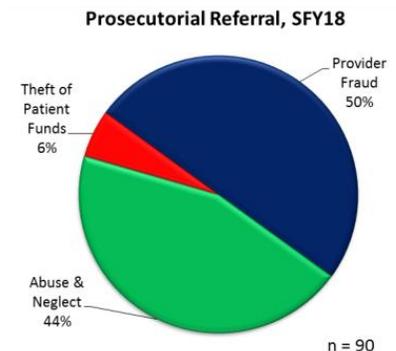
Although almost half of complaints received by the MFCU involved abuse or neglect, most of those complaints are handled by local law enforcement, allowing the MFCU to focus more on complaints of provider fraud.

An analysis of types of investigations opened by MFCU over the last five years is illustrated to the left.

## Prosecutorial referral & charges

Once the MFCU completes an investigation, a determination is made regarding which cases it will refer to county attorneys for criminal prosecution.

During SFY18, 90 cases were referred for criminal prosecution, as illustrated to the right.



Of those 90 referrals for criminal prosecution, the prosecuting authority pursued charges on 64 cases, with the historical trending over the last five years illustrated to the left.

During SFY18, criminal convictions were obtained in 64 charged cases, with 25 convictions involving provider fraud, 25

involving patient abuse or neglect and 2 convictions involving patient theft<sup>2</sup>. Additionally, the MFCU referred 32 cases to the Iowa Medicaid Enterprises' Program Integrity Unit for administrative recovery during SFY18.

## Looking Forward

The Investigations Division is committed to reducing fraud, waste and abuse, and will continue to build on successes to streamline and enhance efficiencies throughout its processes. The Division will refocus on the enforcement tools available in order to optimize efforts in areas where resources are available to produce tangible results. The Division will continue to collaborate with local, state, and federal partners, in order to maximize impact on protecting the integrity of government public assistance programs.

Additionally, the Public Assistance Debt Recovery Unit is exploring more modern methods of accepting payments, including the acceptance of credit and debit cards.

It is also worth noting that in September of 2018, the DIA was informed by the Attorney General's Office that the Director of the Iowa Department of Human Services had elected to not pursue a waiver with Federal partners that, in the Attorney General's opinion, would allow the DIA to continue enforcing [Iowa Code 249F](#) related to Divestiture activities and collections. Plans have therefore been finalized to 'wind-down' Divestiture-related activities and collections, with the anticipated date to cease enforcement of 249F on December 1, 2018.

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<sup>2</sup> Note that the number of criminal convictions may include cases that were opened, referred, or charged during a previous fiscal year.