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of **ALASKA**
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Department of Health and Social Services

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December 29, 2021

The Honorable Natasha von Imhof
Legislative Budget and Audit Committee Chair
1500 W. Benson Boulevard
Anchorage, AK 99503

The Honorable Chris Tuck
Legislative Budget and Audit Committee Vice Chair
1500 W. Benson Boulevard
Anchorage, Alaska 99503

Legislative Budget and Audit Committee
Alaska State Legislature
P.O. Box 113300
Juneau, AK 99811-3300

RE: Department of Health and Social Services (DHSS), State of Alaska, Status of Corrective Action on Single Audit Findings for the Fiscal Year Ended June 30, 2020

Dear Senator von Imhof and Representative Tuck,

The Department of Health and Social Services (DHSS) appreciates the opportunity to review and provide responses to the specific findings as requested by the Legislative Auditor, Kris Curtis in correspondence dated November 10, 2021, on your behalf.

Several of the findings reported in FY2020 are repeat findings that are the direct result of redirecting agency resources to mitigate the public health threat posed by the COVID-19 pandemic that occurred during the second half of FY2020 and has continued into FY2022. While the progress the department has made in fixing existing findings has been slower than desired and frequently hindered during the pandemic, DHSS has continued to mitigate the issues identified through the single statewide audit by the Division of Legislative Audit.

Single Audit Finding Nos. 2020-045, 2020-046

Significant errors associated with the accuracy and timeliness of Medicaid and Children's Health Insurance Program (CHIP) eligibility determinations were identified. The ongoing problem reflects a lack of training and quality assurance controls.

What actions have been taken or are planned to be taken to improve Medicaid and CHIP eligibility determinations?

The Division of Public Assistance (DPA) has continued to develop and implement comprehensive correction action to mitigate these findings including strengthening business processes; updating written procedures; developing refresher trainings; onboarding an electronic, statewide case management system; procuring an Asset Verification System (AVS); and implementing a statewide case review team with guidelines. Most recently, DPA procured a contractor to oversee the operations and maintenance of the Alaska's Resource for Integrated Eligibility Services (ARIES) effective July 1, 2021, and is in the process of completing a Request for Proposals (RFP) for automated eligibility renewals. These are two critical resources that assist eligibility staff in performing eligibility determinations.

When were the corrective actions implemented or are planned to be implemented?

The department has been actively working corrective action plans prior to the issuance of the FY2019 statewide audit report and continues to mitigate both current findings, in addition to managing temporary federal requirements around the COVID-19 pandemic. The department anticipates these findings may be considered resolved by legislative audit in the FY2021 statewide audit, currently in process.

Single Audit Finding No. 2020-044

Material internal control weaknesses in the new Medicaid and CHIP eligibility system, ARIES, were identified. The weaknesses have existed for several years and are contributing to eligibility determination errors.

What corrective actions have been taken and/or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

DPA procured a contractor to oversee the operations and maintenance of the Alaska's Resource for Integrated Eligibility Services (ARIES) effective July 1, 2021. The contractor is addressing known system defects and re-prioritizes periodically to incorporate new federal requirements. The division is also fulfilling another major milestone through the completion of a Request for Proposals (RFP) for an automated renewal system, which is a federal requirement.

A capital funding request has been submitted to fully develop ARIES and integrate other federal programs into the system allowing the state to retire the legacy Eligibility Information System (EIS).

Both the COVID-19 pandemic and agency cyberattack have created delays in working the corrective action plans. The department anticipates this finding will be resolved by legislative audit in the FY2022 statewide audit.

Single Audit Finding No. 2020-043

Analyzing claims for services provided to Medicaid-eligible American Indian/Alaska Native members received through a Tribal Health Organization but rendered at a non-IHS/Tribal Health provider is conducted outside of the Medicaid Management Information System and prone to error. Errors identified for FY 20 were just over \$1 million and errors found for FY 19 were just over \$3.3 million.

What corrective actions have been taken and/or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The DHSS Division of Health Care Services (HCS) strengthened its internal processes and procedures to reduce the risk of errors occurring during ~~for~~ tribal reclaiming. The enhancements include the following:

- Additional steps for data validation were added to existing procedures to ensure a complete and accurate data set from both the Cognos queries and the Tribal Health Organization's case managed recipient lists.
- The HCS Tribal Health Unit modified its organizational structure reclassifying one of its tribal reclaiming analyst positions to a lead position to increase monitoring and evaluate the quality and accuracy of the reports submitted for reclaiming.
- HCS also developed a desk manual that outlines the review process to reduce the risk of errors.

The department anticipates this finding may be considered resolved by legislative audit in the FY2021 statewide audit, currently in process.

Single Audit Finding No. 2020-040

Dental services are likely being overutilized for CHIP and Medicaid members under the age of 21.

What corrective actions have been taken and/or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

This finding is expected to be resolved in FY2022 following the release of the new regulations expected to be issued in March of 2022. Prior to the audit findings being issued, the department had started collaborating with the Medical Care Advisory Committee and in FY2019 a dental subcommittee had been established. Industry stakeholder recommendations have been incorporated into the regulation package and they increase the controls to address over-utilized and misused dental services. While the agency was pursuing regulation development, it continued to operate within the current regulations, however, additional internal controls were implemented including post payment reviews of medical necessity followed by recoupments and referrals to compliance entities.

Single Audit Finding No. 2020-050

The Department of Health and Social Services has not implemented an effective statewide surveillance and utilization and control program to safeguard against unnecessary or inappropriate use of Medicaid services.

What corrective actions have been taken and/or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The DHSS Division of Health Care Services (HCS) took the following actions to address the concerns raised regarding the implementation of a Surveillance and Utilization Review (SUR) program. The following activities were implemented July 2020 through March 2021 and are ongoing for all cases:

- Strengthened policies and procedures surrounding internal controls
- Strengthened policies and procedures for case/records review
- Developed case sampling plan
- Refined DHSS Audit Committee participation to identify opportunities for collaboration/reduce duplication

Following the FY2020 Legislative Audit, HCS took several additional steps to improve Alaska's SUR Program. These improvements were implemented January through June 2021 and are ongoing for all cases:

- Strengthened Deputy Director review and oversight into policy, procedure, and case review processes
- Strengthened policies and procedures to include state and federal citations that define the authority under which each business process operates
- Strengthened the case sampling plan and case review processes to establish
 - Target annual case count, 100 per year
 - Target depth of case selection driven by CMS ACA provider risk level
 - Incorporated J-SURS Provider Type Profile Summary's for case selection to identify the high-level concepts behind the peer group comparison strategy, and extenuating case selection considerations
 - Strengthened referral criteria to Program Integrity and the Medicaid Fraud Control Unit
- Strengthened control file review process to clarify strategy about how peer group comparison should occur for small and large peer groups

In addition to the process updates described above, professional development of the SUR team has included training by CMS/DOJ at the Medicaid Integrity Institute to adopt best practices for SUR programs (multiple classes in FY2020/FY2021) including:

- Participating in monthly/quarterly workgroups with IBM Watson Health to exchange strategies/best practice with other states using the same data-profiling tool (ongoing since December 2019).

Lastly, in August 2021 the SUR team virtually attended the National Association for Medicaid Program Integrity (NAMPI) conference which allows state staff to stay current with tools, trends, and technologies to further strengthen Alaska's SUR program. The department anticipates this finding may be considered resolved by legislative audit in the FY2021 statewide audit, currently in process.

Single Audit Finding No. 2020-033

Material weaknesses and material noncompliance were identified associated with Temporary Assistance for Needy Families eligibility determinations and special requirements. Deficiencies include errors in determining eligibility and a lack of documentation supporting the request and use of income and benefit information through the Income Eligibility and Verification System and other data exchanges necessary for determining eligibility.

What corrective actions have been taken and/or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The DHSS DPA onboarded a new contract effective July 1, 2020, and implemented an Income Eligibility and Verification System (IVES) in January 2021. IVES will assist in identifying fraud, waste, and abuse within TANF. The agency also implemented an electronic document management system in late FY2020 to automate access to case documentation to increase accuracy of the eligibility determinations in accordance with the corrective action plan. The department anticipates this finding may be considered resolved by legislative audit in the FY2021 statewide audit, currently in process.

Single Audit Finding No. 2020-037

The Division of Public Assistance has not implemented adequately designed internal controls to prevent, or detect and correct, noncompliance with federal requirements for the Temporary Assistance for Needy Families program, including requirements associated with child support noncooperation, penalty for refusal to work, and penalty for failure to comply with work verification plan.

What corrective actions have been taken and/or are planned to be taken to resolve the finding including the date(s) completed or expected to be completed?

DPA has re-assessed and strengthened its two-tier quality assurance process, which starts with a supervisor review of a monthly target of cases and then a case reader process relying on a random sample of cases per worker. The quality assurance processes were adversely impacted first by delays caused by the COVID-19 pandemic on the implementation of the statewide case management system then again by the cyberattack requiring workarounds to access case documentation. The department anticipates this finding will be resolved by legislative audit in the FY2022 statewide audit.

I welcome the opportunity to further address your concerns and provide additional information which you may determine as necessary for your review.

Sincerely,



Adam Crum
Commissioner

CC: Sylvan Robb, Assistant Commissioner
Albert E. Wall, Deputy Commissioner
Clinton Lasley, Deputy Commissioner
Matt Davidson, Legislative Liaison
Shawnda O'Brien, Director, Division of Public Assistance
Renee Gayhart, Director, Division of Health Care Services
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