



COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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September 1, 2016

Cynthia B. Jones, Director
Department of Medical Assistance Services
600 East Broad Street, Suite 1300
Richmond, VA 23219

Dear Director Jones:

The Office of the State Inspector General (OSIG) has completed a follow-up review of the actions taken by the Department of Medical Assistance Services (DMAS) in response to our initial report issued (2014-PR-002) October 17, 2014. The initial review was conducted as directed by *Code of Virginia (Code)* § [2.2-309](#) [A](10).

OSIG's initial review focused on effectiveness and efficiency of third-party contracts; use of funds as appropriated; interagency agreement with the Department of Social Services (DSS); and the cost effectiveness of the post-payment audit/review process for community-based providers. OSIG identified three observations where improvements could be made.

The follow-up review determined that the original corrective action had been taken to resolve one of the original three observations while the remaining two were addressed by DMAS through alternate courses of action. The attached document details those two remaining items.

The OSIG review staff appreciates the assistance provided by DMAS and its staff during this follow-up review.

Respectfully,

June W. Jennings
State Inspector General

CC: Paul J. Reagan, Chief of Staff to Governor McAuliffe

Suzette P. Denslow, Deputy Chief of Staff to Governor McAuliffe
Dr. William A. Hazel Jr., Secretary of Health and Human Resources
Senator Bryce E. Reeves, Chairman, Rehabilitation and Social Services Committee
Delegate Robert D. Orrock, Sr., Chairman, Health Welfare and Institutions Committee

Observation No. 2 – Separation of Responsibility and Control

OSIG's recommendation was for DMAS to determine if localities could be held accountable by the *Code of Virginia* for their errors and, if not, to consider proposing legislation that would hold localities at least partially accountable.

DMAS' Corrective Action identified that a statement in the Appropriation Act for DSS required repayment to DSS by the localities for errors and stated that the Policy Division would research to ensure that language would also cover DMAS funds and, if not, the Policy Division would explore adding language to the next Appropriation Act.

OSIG's follow up determined that DMAS implemented the corrective action by first determining that the existing language in the Appropriation Act was not sufficient to cover DMAS. DMAS then gave consideration to all aspects of proposing legislation language to hold local DSS offices accountable for errors, but determined that a legislation solution was not feasible at the present time.

As an alternative to the original corrective action, the DMAS Chief Deputy Director has been meeting with executive management from DSS so that both agencies can better understand each other's perspective. DMAS is looking to hire a person to conduct research on how other states handle Medicaid and hold localities responsible for errors. Then a task force representing DMAS, DSS and the local departments of social services (LDSSs) will be put in place to address accountability. No established completion date was in place as they are currently working with human resources to initiate the recruitment.

Follow-up Recommendation

OSIG recommends DMAS establish a planned completion date for their research on how other states administer Medicaid through local governments. OSIG further recommends that DMAS create their proposed task force representing DMAS, DSS, and the LDSSs to address accountability and then determine if the results of the task force could be placed in the Appropriation Act to provide that accountability.

DMAS Response

The DMAS Director concurred with the recommendation and provided a corrective action plan with an estimated completion date of January 31, 2018, for a workgroup of DMAS, DSS and LDSSs to craft a solution to address accountability with a primary goal to design a plan to support robust oversight by DMAS and accountability for funds.

Observation No. 3 – Improvements to the Interagency Agreement

OSIG's recommendation was for DMAS and DSS to strengthen their interagency agreement by adding quantifiable performance requirements for each agency.

DMAS' Corrective Action stated that the two agencies would work cooperatively to improve their interagency agreement to identify and remediate shortcomings in performance. A plan was included that formed a workgroup between employees of the two agencies to define performance measures, monitoring, and sanctions for performance that did not meet agreed levels.

OSIG's follow up determined that although no work group was established, the Chief Deputy Director has been meeting with executive management from DSS so that both agencies can better understand each other's perspective. DMAS is looking to hire a person to conduct research on how other states handle Medicaid and holding localities responsible for errors and then a task force representing DMAS, DSS and LDSSs will be put in place to address accountability. No established completion date was in place as they are currently working with human resources to initiate the recruitment.

Follow-up Recommendation

OSIG recommends DMAS establish a planned completion date for their research on how other states administer Medicaid through local governments. OSIG further recommends that DMAS create their proposed task force representing DMAS, DSS and LDSSs to address accountability and then strengthen the interagency agreement as originally recommended.

DMAS Response

The DMAS Director concurred with the recommendation and provided a corrective action plan with an estimated completion date of January 31, 2018, that would result in an amended interagency agreement. This would be accomplished through the establishment of an interagency workgroup between DMAS and DSS to develop quantifiable performance measures taking into account the completion of DMAS research into how other states administer Medicaid. The corrective action plan also stated that the change represents a significant shift in the relationship of the two agencies that will have to be addressed at the [Cabinet Secretary] level.