

July 27, 2022

VIA EMAIL

The Honorable Chris Wooten, Subcommittee Chair
Law Enforcement and Criminal Justice Subcommittee
South Carolina House of Representatives
PO Box 11867
Columbia, SC 29211

Re: Letter Dated July 11, 2022, regarding the Attorney General's Medicaid Recipient Fraud Unit

Dear Representative Wooten:

This letter is in response to your letter dated July 11, 2022, which included the following question:

What are the pros and cons of HHS paying for additional staff at the Attorney General's office to address Medicaid recipient fraud? Based on information presented by the Attorney General's office, the current return on investment appears to outweigh the costs, and the Attorney General's office indicates they could utilize additional staff to handle referrals from HHS.

The South Carolina Department of Health and Human Services (SCDHHS) greatly appreciates our relationship with the South Carolina Attorney General's office (OAG). A state Medicaid Fraud Control Unit is required by Medicaid laws and regulations to address provider fraud, waste and abuse. States are not required to maintain a unit dedicated to Medicaid recipient fraud. The OAG's Medicaid Recipient Fraud Unit (MRFU) does a commendable job and is uniquely qualified to investigate and prosecute Medicaid fraud. Utilizing the OAG's experience in hiring qualified attorneys and investigators to address Medicaid fraud serves a valuable purpose in addressing fraud, waste and abuse in the state's Medicaid program. The OAG's final investigative and prosecutorial functions for recipient fraud mirrors SCDHHS' efforts related to Medicaid provider fraud. This alignment enables the pool of investigators handling Medicaid fraud, waste and abuse cases to consult one another utilizing each other's knowledge and resources.

To address the question above, the pros of having SCDHHS pay for additional staff to address Medicaid recipient fraud include:

- Additional staff at MRFU would allow the team to review and assess more cases referred from SCDHHS' Recipient Utilization Department in a more timely manner.

- By processing a larger number of cases, MRFU may be able to increase the overall collections.
- Although not direct cost recoveries, when examining the return on investment for OAG handling of recipient fraud, the calculation should also include estimated cost avoidance resulting from preventing future Medicaid costs incurred by the fraudsters. In the past, cost avoidance figures have generally equaled the collected amount each year, which means in most years the return on investment exceeds costs.

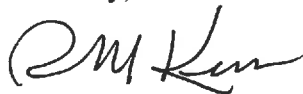
The cons of having SCDHHS pay for additional staff to address Medicaid recipient fraud include:

- Collections do not seem to correlate with staffing levels or cost increases. The increases in cost from 2010 to 2022 have averaged 5.86% per year, while collections have increased 4.41% per year.
- While the additional staff could allow MRFU to increase collections, through our past experience with MRFU, we have seen a stronger correlation between collections and staff longevity. Years with smaller more experienced staffed MRFU units have produced similar results to years with larger less experienced staffed MRFU units over the last 11 years.
- The dollars associated with Medicaid provider fraud far outweigh the dollars associated with Medicaid recipient fraud. As the resources available to combat fraud are limited, there may be a better return on investment focusing additional resources on combating provider fraud.
- MRFU has had staff vacancies that remain unfilled for extended periods of time. Planned staff additions may not materialize at the rate needed, even with additional funds from SCDHHS.

We have also included a chart that shows the cost to collections since 2010.

We appreciate the opportunity to provide our input to this important topic and support any effort to improve identifying and stopping Medicaid fraud. Please let me know if we can be of any additional assistance.

Sincerely,



Robert M. Kerr
Director

Medicaid Recipient Fraud Unit Cost to Collections Since SFY 2010

State Fiscal Year Ending:	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
MRFU Cost Per Year	\$689,217	\$653,667	\$653,667	\$657,068	\$657,068	\$657,068	\$657,068	\$588,756	\$588,756	\$588,756	\$459,342	\$348,005	\$348,005
% Increase in Cost*	5.44%	0.00%	-0.52%	0.00%	0.00%	0.00%	11.60%	0.00%	0.00%	28.17%	31.99%	0.00%	n/a
Collections Per Year	\$745,413	\$626,593	\$166,962	\$187,158	\$508,746	\$511,866	\$470,303	\$322,612	\$618,340	\$794,410	\$523,346	\$371,950	\$444,314
% Increase in Collections*	18.96%	275.29%	-10.79%	-63.21%	-0.61%	8.84%	45.78%	-47.83%	-22.16%	51.79%	40.70%	-16.29%	n/a
% Collections over Cost	7.54%	-4.32%	-291.51%	-251.08%	-29.15%	-28.37%	-39.71%	-82.50%	4.78%	25.89%	12.23%	6.44%	21.68%
# of Staff	8	8	8	9	9	9	9	7	7	7	5	5	5
Collections Per Staff	\$93,177	\$78,324	\$20,870	\$20,795	\$56,527	\$56,874	\$52,256	\$46,087	\$88,334	\$113,487	\$104,669	\$74,390	\$88,863

* year over year