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Medicaid Foulups Could Cost Millions

Claims processing system plagued with problems

BOISE — Idaho's new, problem-plagued Medicaid claims processing system may cost taxpayers millions, according to a report released Tuesday by legislative auditors who concluded that neither Idaho health officials, the software company nor Medicaid providers were adequately prepared for the switch last year.

After California-based Molina Medicaid Solutions took over the \$106 million contract in May 2010, problems handling Idaho's roughly \$1.4 billion in annual Medicaid claims emerged almost immediately. That delayed thousands of payments to private providers who rely on the payments to give services to the poor and disabled.

To help keep them in business, the Department of Health and Welfare advanced these providers a total of \$117 million in interim payments in July and August.

These companies were paid again once their original claims were processed late.

Now, however, only about half these double payments have been recouped by the state. And because some of those providers did eventually fold, an estimated \$2 million is now at risk of never being recovered, wrote the Legislature's Office of Performance Evaluations.

"That's a rough estimate," said Health and Welfare spokesman Tom Shanahan. "It may be more, it may be less. Some of them (the providers) are not billing anymore. We believe some of them have gone out of business."

There are more issues, too, that are costing Idaho money. For instance, federal matching rates for Medicaid are going from nearly 80 percent to 69 percent come July 1. With so many claims delayed, that means the state is likely losing hundreds of thousands in federal matching funds, money Idaho has to make up in state taxpayer dollars.

Department of Health and Welfare officials are in talks with the Idaho attorney general's office over how to address these issues — and how to hold Molina accountable.

That finger-pointing phase has been put on hold, for now, while Molina and state officials concentrate on working all the bugs out of the system, said Dick Schultz, a Health and Welfare deputy director who is managing the project.

"When the system is stable and there's no more harm being done, that's when we'll start taking that comprehensive approach to looking at what happened," Schultz said.

In February, the Legislature's Joint Legislative Oversight Committee voted to conduct a performance audit to examine just why Molina's claims processing system went so awry. Tuesday's report was the result.

Auditors found improvements in the interim, including when Molina doubled its support staff and enacted other remedies to reduce pending Medicaid claims to fewer than 40,000 in February, from more than 120,000 last September. But more work is needed, they wrote.

“Providers continue to express concerns that progress is not being made quickly enough,” the auditors said, likening the failure of Molina’s system to the 2005 collapse of Idaho’s proposed computer system meant to track public school students’ academic progress after \$21 million had already been spent on that project.

Lessons learned by that financial flop weren’t applied when Idaho brought Molina on line, auditors wrote — despite the obvious importance of a seamless transition for a system that handles 150,000 claims or more every week.

“The challenges associated with the transition were not simply a series of unpredictable events,” according to their report. “Instead, we found these challenges were the result of unclear contract requirements, a lack of system readiness and the absence of adequate end user participation throughout the enrollment and testing phases.”

Dell Bell, Molina’s Idaho account manager, spoke only briefly at Tuesday’s session, indicating the company agreed with auditors’ findings.

Lawmakers, meanwhile, reserved harsh words for Health and Welfare officials in charge of getting the matter under control. Sen. Dean Mortimer offered this tongue lashing when Health and Welfare’s Schultz expressed “anxiety” over collecting the outstanding interim payments:

“The taxpayer expects us to go beyond that, and actually fix it,” said Mortimer, R-Idaho Falls. “To me, anxiety is not the right answer in this situation.