SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
Healthy Connections MEDICAID

Medicaid Provider Fraud: Report for Proviso 33.17
April 1, 2020

The South Carolina Department of Health and Human Services (SCDHHS) engages in an on-going effort to prevent and identify fraud in the Medicaid program, and to recover the funds lost because of fraudulent and wasteful practices on the part of healthcare providers. Not only is this mandated by federal regulations found in 42 CFR 455, it is critical because of the need to assure that public resources are properly managed.

The National Health Care Anti-Fraud Association estimates that financial losses due to health care fraud are in the tens of billions of dollars each year. Federal regulations define fraud as "intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person." (42 CFR 455.2) Medicaid fraud is a criminal matter, and the department is committed to increasing the quality and number of cases referred to the Medicaid Fraud Control Unit (MFCU) in the SC Attorney General's Office for prosecution and recovery of funds lost due to fraud.

Waste, improper claims, billing errors, and abuse also cause losses of Medicaid funds but are not criminal actions. Cases of this type are investigated by SCDHHS in order to recover funds from providers but are not referred for prosecution.

The SCDHHS Division of Program Integrity receives "tips" from its fraud hotline and conducts extensive data analysis to identify potential fraud cases. Federal regulations require SCDHHS to conduct a preliminary investigation upon suspicion of fraud and refer credible allegations to the MFCU in the SC Attorney General's Office. Cases are also referred to the MFCU from other sources such as the FBI, the federal Office of Inspector General, other state agencies, and the MFCU's own fraud hotline. Successful prosecution of fraud cases can take several years before final adjudication and the collection of any penalties or recoveries by SCDHHS.

Through the National Association of Medicaid Fraud Control Units (NAMFCU), the MFCU also participates in national cases that arise in connection with a U.S. Department of Justice investigation. Those cases often involve manipulation of wholesale drug prices by pharmaceutical companies to increase Medicaid payments. While considered fraud cases, they are prosecuted as civil cases as opposed to criminal cases.

The following table illustrates SCDHHS Program Integrity and MFCU activity related to Medicaid provider fraud, waste, and abuse that occurred during calendar year 2019. Federal laws and regulations require the return of the federal share of Medicaid funds recovered. Approximately 70% of the recovered amount must be returned to the federal government. SCDHHS can retain the state share (approximately 30%) of the recoveries and re-use the funds to again match federal monies for the on-going operation of the Medicaid program.

SCDHHS PROGRAM INTEGRITY CASES	
New Provider Cases Opened	245
Number of Fraud Cases Referred to MFCU	3
MFCU FRAUD CASES	
New Provider Fraud Cases Opened	93
Current Open Provider Fraud Cases	169
RECOVERIES	
Amount Recovered from MFCU Cases	$82,381.51
Amount Recovered from All Other Cases	$609,967.73
PROSECUTIONS	
Number of Convictions and Guilty Pleas	7
Number of Civil Settlement Agreements	12
NAMFCU SETTLEMENTS	
Number of Settlement Agreements	7
Amount Recovered	$2,114,422.43