Office of Inspector General Overview

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MDHHS

Michigan Department of Health & Human Services

MDHHS OIG Origin

- In 1972, the Social Welfare Act (MCL 400.43b) established an Office of Inspector General (OIG), as a criminal justice agency.
- Executive Order 2010-1 created the Office of Health Services Inspector General (OHSIG) as an independent and autonomous entity within the Department of Community Health (DCH).
- Executive Order 2015-4 created MDHHS OIG by merging the Department of Human Service (DHS) OIG and DCH OHSIG.
- The primary duty of the inspector general is to investigate cases of suspected fraud, waste and abuse involving MDHHS assistance programs.

MDHHS-Administered Programs

Adoption Assistance Program
Financial assistance and medical support to adoptive families, particularly people adopting children from the foster care system who have special needs.

Child Development and Care
Supports low-income working families by providing access to affordable, high-quality early care and afterschool programs.

Family Independence Program
Also known as cash assistance, provides temporary financial assistance to eligible pregnant women and low-income families with minor children, aiming to help them achieve self-sufficiency.

Food Assistance Program (FAP)
Temporary food assistance for eligible low-income families and individuals.

Medical Services Program (Medicaid)
A health care program that provides comprehensive health care services to low-income adults and children.

State Emergency Relief
Provides immediate help to individuals and families facing conditions of extreme hardship or for emergencies that threaten health and safety.

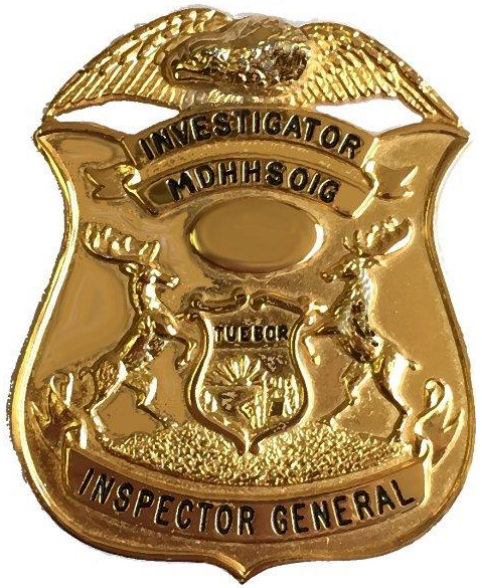
Reporting Fraud, Waste and Abuse

Allegations of potentially fraudulent activity are reported to MDHHS OIG through a variety of methods including email, a website and a toll-free hotline.

MDHHS-InspectorGeneral@michigan.gov

Michigan.gov/fraud

855-MI-FRAUD (643-7283)



Fraud Detection Activities

- In FY 2024, data analytics generated 57% of MDHHS OIG's Medicaid provider investigations and 44% of public assistance fraud investigations.
- Data analytics allows for detection and identification of patterns of fraudulent behavior that may not otherwise be evident.
- MDHHS OIG uses specialized tools and techniques, as well as knowledge of program rules, to discover fraud, waste and abuse events and trends in state-owned data.
- Data analytics allow MDHHS OIG to focus our resources on areas with the greatest risk and return.

Data Analytics Examples

- **Home Help Hospitalization Match** identifies claims for home help services which overlap with claims for recipient hospitalization.
- **Provider Peer Grouping** seeks to cluster similar providers and identify suspicious behavior through outlier activity.
- **Self-Reported Income Match** identifies discrepancies where reported income on an application for assistance is significantly lower than income reported on state tax records.
- **IP Address Location Analysis** identifies program integrity issues, including but not limited to, residency, identity theft and employee fraud.
- **Online Shopping Analysis** uses geolocation and transaction data to identify suspect EBT transactions at online retailers.
- **Pharmacy Predictive Modeling** uses the known bad behavior of sanctioned pharmacies to identify other suspect pharmacies using over 50 potential fraud indicators.

Interagency Fraud Group

Members: MDHHS OIG, Attorney General, Unemployment Insurance Agency, Department of State, State Police, State Housing Development Authority, Department of Licensing and Regulatory Affairs, and Treasury.

- Discuss recent fraud trends.
- Share information to determine if fraud is occurring across member agencies.
- Provides key contacts for reaching out when help or information is needed from a partner agency.
- Referrals are transmitted between agencies.

Recipient Eligibility Fraud

- **Dual assistance fraud** – when recipients apply for and receive benefits in another state while also receiving benefits in Michigan.

- **Group composition fraud** – when recipients fail to report their spouse as a member of the household and include them in the group's shared income or assets, to qualify for benefits to which they are not entitled.

- **Unreported self-employment and/or income fraud** – when recipients misrepresent their income when they applied for benefits, to qualify for benefits to which they are not entitled.

- **Unreported asset fraud** – when recipients underreport their assets when applying for benefits, to qualify for benefits to which they are not entitled.

- **Medicaid long-term care eligibility fraud** – purposely not disclosing income and/or asset information to gain Nursing Home Medicaid eligibility.

PARIS Interstate Match

- MDHHS OIG utilizes the national Public Assistance Reporting Information System (PARIS) interstate match to identify individuals receiving public assistance in Michigan and another state at the same time.
- PARIS matches help identify improper payments to minimize fraud, waste and abuse.
- Investigated PARIS matches resulted in **$19.7 million** in cost avoidance in FY 2024.

Front End Eligibility Program

The Front End Eligibility (FEE) program is a fraud prevention initiative established by MDHHS OIG to reduce errors and overpayments in public assistance benefit programs when applications or recertifications for public assistance contain suspicious or error-prone information.

The goal of the FEE program is to support a partnership between MDHHS OIG and the local office staff early in the eligibility determination, which results in significant cost savings for MDHHS.

In FY 2024, MDHHS OIG performed **8,099** FEE investigations resulting in 4,278 denied, reduced or withdrawn applications and **$31.6 million** in cost avoidance.

Identity Fraud

Identity fraud is a serious and pervasive crime often involving organized and violent criminal organizations that fraudulently acquire stolen identities to apply for and use MDHHS public assistance program benefits, including Food Assistance Program (FAP) and Medicaid.

In FY2024, 65 identity fraud investigations identified $4 million in fraud.

Benefit Trafficking

Benefit trafficking is a crime that involves the buying, selling or trading of public assistance program benefits for cash or other ineligible items, including tobacco, alcohol, firearms, drugs and gambling.

In cases of FAP trafficking, MDHHS OIG investigates the recipients while the U.S. Department of Agriculture (USDA) OIG investigates the retailers.

In FY 2024, 438 FAP trafficking investigations identified almost $5 million in fraud.

Stolen Benefits

Electronic Benefit Transfer (EBT) card cloning is an example of stealing benefits. EBT card cloning is the process by which thieves use an electronic device, referred to as a skimmer, to copy the card information and transfer the data to an unauthorized card through which they can steal the food assistance program benefits of that cardholder.

EBT card numbers and PINs may also be stolen by criminals who deceive individuals by email, phone or in person to obtain their card number and PIN.

Medicaid Provider Fraud

- Billing more than once for the same service.
- Billing for nonexistent patients or patients of other providers.
- Billing for lengthy counseling sessions when only short sessions were provided.
- Ordering tests or prescriptions that the patient does not need.
- Paying or accepting a “kickback” in exchange for a referral for medical services or equipment.
- Billing for a service and/or equipment that wasn’t provided.
- Billing for patients who did not really receive services.
- Billing for items and services that the patient no longer needs.
- Concealing ownership or associations in a related company.
- Billing for medical services that were actually provided by unlicensed or excluded personnel.

Medicaid Beneficiary Fraud

- Altering a doctor's prescription to obtain prescription drugs or medical equipment that are not medically necessary and/or to which they are not entitled.
- Helping a doctor file false claims by having tests they do not need.
- Non-Emergency Medical Transportation (NEMT) fraud includes any situation where a patient deliberately misrepresents their medical transportation needs to gain access to NEMT services/reimbursements they are not entitled to.
- The fraudulent sale of prescription drugs or medical equipment to others, which has a high potential for conspiracy between providers and beneficiaries.
- Accepting payment from a doctor for referring other beneficiaries for medical services.
- Personal Care Services (PCS) fraud includes any situation where a patient falsely claims to require more care than needed, claiming to be homebound when they are not, forging signatures on medical forms, and/or exaggerating the severity of their condition to justify more hours of care. PCS fraud also has a high potential for conspiracy between providers and beneficiaries.

Criminal Fraud Statutes

- MCL 400.60(1) – Welfare Fraud.
- MCL 400.60(2) – Failure to Inform.
- MCL 750.300a – Food Stamp Fraud (Trafficking).
- MCL 750.218 – False Pretenses (Non-Medicaid Provider/Vendor).
- MCL 750.174 – Embezzlement (Employee).
- MCL 445.65/67/69 – Identity Theft Protection Act.
- The Medicaid False Claim Act, Act 72 of 1977.

Welfare Pretrial Diversion

The Office of Attorney General and MDHHS OIG developed the Welfare Pretrial Diversion Program in February 2024.

- This program was created to streamline the recoupment process and allow the both offices to focus their resources on the most egregious criminal violations.
- Enrollment requires:
  - First-time offenders.
  - Alleged to have committed welfare fraud below $10,000.
  - Pay full restitution to the State of Michigan and avoid criminal prosecution.

Outcomes

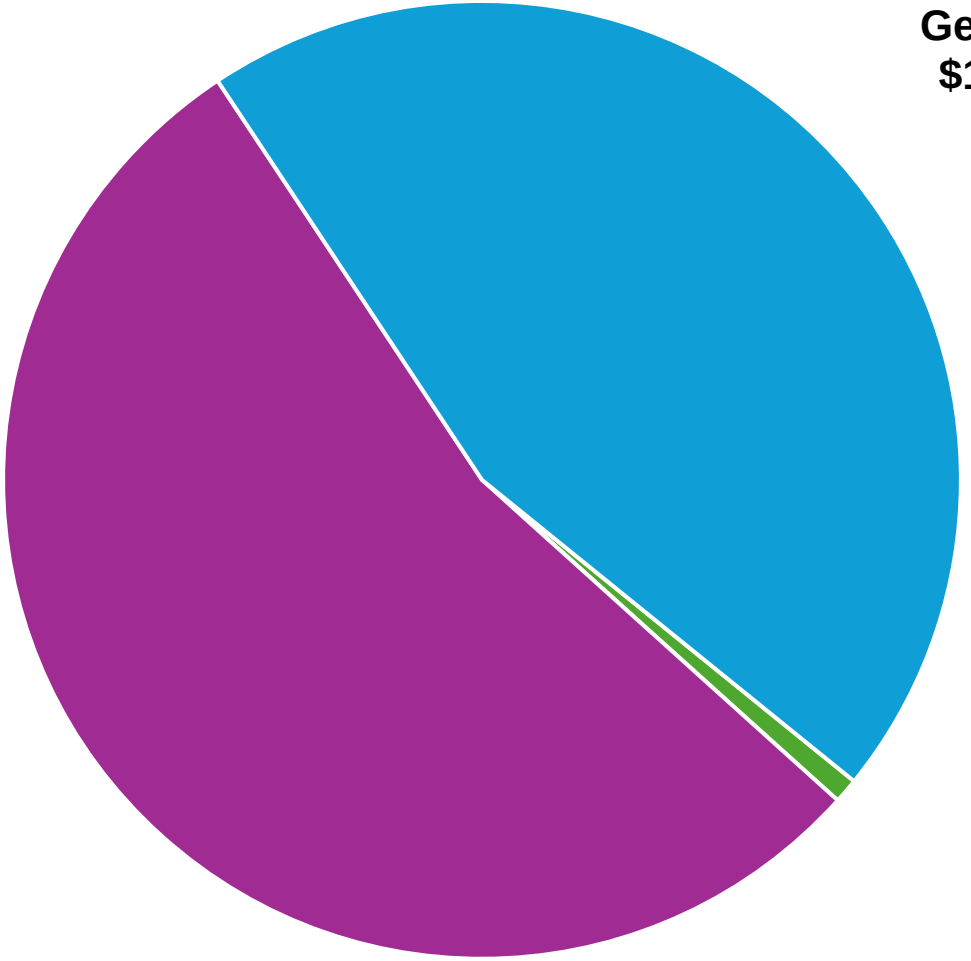
In FY 2024, MDHHS OIG had a **$305.9 million** impact through fraud detection, cost avoidance and disqualifications.

With **$27 million** in expenditures, for every dollar spent, MDHHS OIG had an $11 positive impact on MDHHS program integrity.

MDHHS OIG Annual Reports

FY 2026 OIG Funding

211 FTEs
Total: $29.6 million



General Fund
$13,358,400
45%

Federal Funds
$15,983,500
54%

Interdepartmental Grant from Michigan Lifelong Education, Advancement and Potential (MiLEAP)
$248,200
1%

Questions & Discussion

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Thank you!

MDHHS
Michigan Department of Health & Human Services