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**Human Services Department Secretary Squier Testifies Before
Legislative Finance Committee about Recent Audit of Behavioral Health Care Agencies that
Uncovered Evidence of Fraud, Waste, and Abuse**

Santa Fe (July 17, 2013) – New Mexico’s Human Services Department (HSD) Secretary Sidonie Squier testified today before the Legislative Finance Committee, offering some clarity about the state’s recent audit of 15 behavioral health care agencies’ billing practices. The audit’s findings prompted the New Mexico State Attorney General’s office to initiate a formal investigation and led to a temporary suspension of the agencies’ Medicaid funding.

Secretary Squier provided the Committee with background information on the events that prompted HSD to sanction the audit, as well as additional details on what the audit discovered and the actions that are mandated by the legal process. The 15 agencies under investigation provide behavioral health services for Medicaid consumers across the state. The State Attorney General’s investigation proceeded after HSD presented credible allegations of fraud in the agencies’ billing management, claims processing practices, and business relationships.

“The steps we are taking now to investigate, address, and correct billing, claims, and management issues are part of HSDs responsibility not only to the people who access these services, but to all New Mexico taxpayers,” said HSD Secretary Sidonie Squire. “And I believe, in spite of the current angst, in the not so distant future we will strengthen the system by guaranteeing that consumer care is protected and taxpayer dollars are protected in the most responsible manner.”

The comprehensive behavioral health audit revealed evidence of endemic and egregious mismanagement, waste of state and federal Medicaid dollars, and in some cases, potential fraud. The audit revealed the potential loss of \$36 million in taxpayer funds.

During her testimony, Secretary Squier offered details and explanations for the following aspects of HSD’s audit:

- ***This investigation affects the administrative side of these agencies.*** The audit examined only the billing, claims, and management processes of the 15 agencies. In some cases, where the findings warranted, HSD has recommended that the administration of these offices – the office management and billing practices – be replaced by transition management agencies. There is a comprehensive plan in place to ensure that the transition of these administrative services transpires smoothly.
- ***HSD is continuing to do all it can to ensure consumer safety and that affected consumers experience minimal to no disruption of care. Treating clinicians are not affected by this audit.*** In cases where new administration or management is needed, the existing clinical staff will be invited



to take positions under that new management to help ensure continuity of care for consumers. HSD has worked with the State's managed care contractor, OptumHealth, to develop immediate transitions of care for any consumers needing one. This includes: notifying physical health primary care agencies, reporting consumer medication needs, and triaging critical and complex cases. Optum regional staff are in daily contact with all of the existing agencies that are on a pay hold to monitor the flow of services.

- ***The audit findings revealed sufficient evidence of fraud, waste, and abuse. This prompted HSD to share its findings with the Attorney General's office, which decided to move ahead with an investigation of all 15 agencies. Pay suspensions for the agencies were then automatically triggered, as required by law.*** The audit revealed that even after removing unintentional claims errors – in other words – simple human mistakes, more than 1 in 4 of the audited claims failed, meaning they should not have been billed at all. On further evaluation, HSD found an error rate above 57 percent on cases that could have impacted the health and safety of individual consumers. The business practices review in the audit revealed questionable contractual relationships.
- ***HSD is fully committed to ensuring that this process is fair and conducted in accordance with New Mexico and federal laws and regulations.*** While HSD is not saying all 15 agencies participated in potentially fraudulent activity, the federal statute is clear: HSD is obligated to turn over to the Attorney General's Office credible allegations of fraud and to suspend Medicaid payments until further investigation is conducted. This remains an active investigation by the Attorney General who will pursue the appropriate actions. If the AG determines that no fraud exists, the pay holds could be lifted; however the agencies would still be required to pay back funds that were overpaid.
- ***HSD has reviewed and granted "good cause" exceptions for some agencies.*** HSD has granted exceptions to three agencies, restoring full or partial funding. The other agency payholds will remain in place in accordance with federal law and regulations. HSD also is providing technical and financial assistance to some of the agencies – all in accordance with the legal parameters of the Attorney General's ongoing investigation.

"We must not lose sight of the fact that these are taxpayer dollars that have been abused at the expense of people who desperately need these services. The funding was supposed to provide high-quality behavioral health care to those who need it. This audit indicates that it was not," said Secretary Sidonie Squier. "We need to get back to a system that delivers care responsibly both administratively and clinically. We need to get back to a system that New Mexico can trust. And have no doubt, trust has been broken."

The executive summary of the HSD Audit can be found on HSD's website <http://www.hsd.state.nm.us/>.

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