

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**MEDICAID:  
VULNERABILITIES RELATED  
TO PROVIDER ENROLLMENT  
AND OWNERSHIP  
DISCLOSURE**



**Suzanne Murrin  
Deputy Inspector General for  
Evaluation and Inspections**

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## **EXECUTIVE SUMMARY – MEDICAID: VULNERABILITIES RELATED TO PROVIDER ENROLLMENT AND OWNERSHIP DISCLOSURE**

### **OEI-04-11-00590**

#### **WHY WE DID THIS STUDY**

States can prevent inappropriate payments, protect beneficiaries, and reduce time-consuming and expensive “pay and chase” activities by ensuring that providers that intend to engage in fraudulent or abusive activities are not allowed to enroll in Medicaid. For States to identify potentially fraudulent providers, as well as those that may be associated with excluded individuals or entities, providers must disclose accurate and timely information about their owners (i.e., individuals or corporations with a 5-percent or more ownership or controlling interest; agents; or managing employees). According to the Centers for Medicare & Medicaid Services (CMS), the highest incidence of regulatory noncompliance among State Medicaid programs is in their collection of ownership information from providers.

#### **HOW WE DID THIS STUDY**

We determined the extent to which States requested and verified provider ownership information and checked exclusions databases. Additionally, for selected providers, we collected and compared three sets of owner names: (1) those on record with State Medicaid programs for Medicaid enrollment purposes, (2) those submitted by providers directly to the Office of Inspector General (OIG) for this evaluation, and (3) those on record with CMS for Medicare enrollment purposes. We determined the extent to which owner names from these sources matched. When we compared names, if we found owner names that were not identical but were reasonably similar, we considered the names to match.

#### **WHAT WE FOUND**

Few State Medicaid programs requested that providers disclose all federally required ownership information. In addition, 14 State Medicaid programs reported that they did not verify the completeness or accuracy of provider ownership information. We also found that 14 State Medicaid programs reported that they did not check all required exclusions databases, which could allow providers with excluded owners to enroll in Medicaid. Additionally, we found that most providers in our review had names on record with State Medicaid programs that did not match the names that providers submitted to OIG. Further, nearly all providers in our review had names on record with State Medicaid programs that did not match those on record with CMS. The prevalence of nonmatching owner names raises concern about the completeness and accuracy of information about Medicaid providers’ ownership. It also demonstrates that providers may not be complying with the requirement to report ownership changes to State Medicaid programs. Taken together, these findings reveal vulnerabilities that could allow potentially fraudulent providers to enroll in State Medicaid programs and that limit States’ ability to provide adequate oversight.

#### **WHAT WE RECOMMEND**

We recommend that CMS (1) work with State Medicaid programs to identify and correct gaps in their collection of all required provider ownership information, (2) provide guidance to State Medicaid programs on how to verify the completeness and accuracy of provider ownership information, (3) require State Medicaid programs to verify the completeness and accuracy of provider ownership information, (4) ensure that State Medicaid programs check exclusions databases as required, (5) work with State Medicaid programs to educate providers on the requirement to report changes of ownership, (6) work with State Medicaid programs to review providers that submitted nonmatching owner names and take appropriate action, and (7) increase coordination with State Medicaid programs on collecting and verifying provider ownership information in Medicaid and Medicare. CMS concurred with all of our recommendations.

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## OBJECTIVES

To determine the extent to which:

1. State Medicaid programs requested and verified provider ownership information and checked exclusions databases as part of the Medicaid enrollment process.
2. Owner names on record with State Medicaid programs matched the names submitted to the Office of Inspector General (OIG) for this evaluation and the names on record with the Centers for Medicare & Medicaid Services (CMS).

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## RATIONALE

States can prevent inappropriate payments, protect beneficiaries, and reduce time-consuming and expensive “pay and chase” activities by ensuring that providers that intend to engage in fraudulent or abusive activities are not allowed to enroll in Medicaid.<sup>1</sup> For States to identify potentially fraudulent providers, as well as those that may be associated with excluded individuals or entities, providers must disclose information on owners and others with control interest in the business.

However, State Medicaid programs may not be collecting complete ownership disclosures from providers. In August 2010, CMS reported that the highest incidence of regulatory noncompliance among State Medicaid programs is in the collection of provider ownership disclosures.<sup>2</sup> In particular, CMS noted problems with the forms used to collect provider ownership disclosures, such as the forms not requesting or including space for providers to disclose all required information.<sup>3</sup>

Additionally, in some health care fraud schemes, individuals have concealed providers’ true ownership from State Medicaid programs. For example, in May 2014, an individual was sentenced to 1 to 3 years in prison for his involvement in a multiyear fraud scheme that amounted to more than \$16 million in fraudulent payments from the New York Medicaid program. The individual admitted to being the straw owner of

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<sup>1</sup> In a Medicaid fee-for-service program, a “provider” is any individual or entity furnishing Medicaid services under an agreement with the Medicaid agency. For a Medicaid managed care program, a “provider” is any individual or entity that is engaged in the delivery of health care services and is legally authorized to do so by the State in which it delivers the services. 42 CFR § 400.203.

<sup>2</sup> CMS, *Best Practices for Medicaid Program Integrity Units’ Collection of Disclosures in Provider Enrollment*, August 2010, p. 3. Accessed at <https://www.cms.gov/FraudAbuseforProfs/Downloads/bppedisclosure.pdf> on October 27, 2015.

<sup>3</sup> Ibid., p. 4.

three pharmacies that were owned and controlled by his father, who had previously been excluded from participating in the New York Medicaid program.<sup>4</sup>

Concerns about provider ownership information are also prevalent in Medicare. In a companion report issued concurrently to this report, OIG found that 2 of 11 CMS contractors reported that they do not check required exclusions databases, which could allow providers with excluded owners to enroll in Medicare.<sup>5</sup> Additionally, when we compared the owner names on record with State Medicaid programs with the owner names that providers submitted to OIG for this review, the names did not match for over three-quarters of the providers.

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## BACKGROUND

### Medicaid Ownership Disclosure

Providers enrolling in Medicaid must disclose—and States must collect—specific information, including the name and address of any person (individual or corporation) that has an ownership or controlling interest of 5 percent or more, or that is a managing employee.<sup>6,7</sup> (In this report, we refer to all three types as “owners.”)<sup>8,9</sup> Providers enrolling in Medicaid or renewing their Medicaid agreements must also disclose whether any owners have been convicted of a criminal offense.<sup>10</sup>

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<sup>4</sup> New York State Office of the Attorney General, *A.G. Schneiderman Announces Prison Term for Rogue Pharmacy Owner in \$16 Million Medicaid Theft*, May 5, 2014. Accessed at <http://www.ag.ny.gov/press-release/ag-schneiderman-announces-prison-term-rogue-pharmacy-owner-16-million-medicaid-theft> on October 27, 2015.

<sup>5</sup> OIG, *Medicare: Vulnerabilities Related to Provider Enrollment and Ownership Disclosure* (OEI-04-11-00591), May 2016.

<sup>6</sup> 42 CFR § 455.101. Medicaid providers, other than an individual practitioner or group of practitioners, are entities that must disclose ownership.

<sup>7</sup> Social Security Act § 1124(a)(2)(B); 42 CFR §§ 455.104(b)(1)(i) and 455.106(a). In Medicare, providers that are enrolling must disclose specific information to CMS, including the identity of any person who has an ownership or controlling interest or is an agent or managing employee. 42 CFR §§ 420.204(a)(1)-(2) and 420.206(a)(3).

<sup>8</sup> 42 CFR § 455.101. Medicaid providers, other than an individual practitioner or group of practitioners, are disclosing entities that must disclose ownership.

<sup>9</sup> Social Security Act § 1124(a)(2)(B); 42 CFR §§ 455.104(b)(1)(i) and 455.106(a). In Medicare, providers that are enrolling must disclose specific information to CMS, including the identity of any person who has an ownership or controlling interest or is an agent or managing employee. 42 CFR §§ 420.204(a)(1)-(2) and 420.206(a)(3).

<sup>10</sup> 42 CFR § 455.106(a). In Medicare, providers that are enrolling must disclose whether any owners have been convicted of a criminal offense, subjected to any civil monetary penalties, or excluded from participating in federally funded health care programs. 42 CFR § 420.204.

Once they are enrolled in Medicaid, providers must report changes of ownership to State Medicaid programs within 35 days of the change.<sup>11</sup> In addition, State Medicaid programs must revalidate providers' enrollment information at least every 5 years.<sup>12, 13</sup>

The State Medicaid program must deny enrollment or terminate the enrollment of any provider if the provider or an owner does not submit timely and accurate information.<sup>14</sup>

### **Verification of Provider Ownership Information**

Although there is no Federal requirement that State Medicaid programs verify the completeness and accuracy of ownership information disclosed by providers, CMS recommends that State Medicaid programs do so. In particular, CMS recommends, as a general rule, that:

States should not process a provider's disclosure information that does not appear complete or does not include information on individuals with ownership or control interests in the provider entity, including managing employees, until the State verifies the accuracy and completeness of the information.<sup>15</sup>

CMS does not describe how States should verify the completeness and accuracy of provider ownership information.

Additionally, CMS provides State Medicaid programs with limited access to its Medicare enrollment system—the Provider Enrollment, Chain, and Ownership System (PECOS).<sup>16</sup> States can use this access during provider screening to determine if a provider is currently enrolled in Medicare, is enrolling, or has been denied enrollment.

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<sup>11</sup> 42 CFR § 455.104(c)(1)(iv). In Medicare, enrolled providers must report changes of ownership or control to CMS within 30 days of the change. 42 CFR § 424.516(e)(1).

<sup>12</sup> 42 CFR § 455.414. In Medicare, enrolled providers must submit and recertify enrollment information every 5 years. 42 CFR § 424.515.

<sup>13</sup> Section 6401(a) of the Patient Protection and Affordable Care Act requires all enrolled providers and suppliers to revalidate their enrollment information under new enrollment screening criteria. This requirement includes providers and suppliers that were enrolled prior to March 25, 2011. 76 Fed. Reg. 5969, 5865. The deadline for State Medicaid programs to complete this revalidation-of-enrollment process for all providers is September 25, 2016 (an extension from the original deadline of March 24, 2016). See CMS, *CMCS Informational Bulletin: Medicaid/CHIP Provider Screening and Enrollment*, December 23, 2011, p. 2. Accessed at <http://www.medicaid.gov/Federal-Policy-Guidance/downloads/CIB-12-23-11.pdf> on October 28, 2015.

<sup>14</sup> 42 CFR § 455.416(a).

<sup>15</sup> CMS, *State Medicaid Director Letter #08-003*, June 12, 2008, p. 3. Accessed at <https://downloads.cms.gov/cmsgov/archived-downloads/SMDL/downloads/smd061208.pdf> on October 28, 2015.

<sup>16</sup> CMS, *CMCS Informational Bulletin: Medicaid/CHIP Provider Screening and Enrollment*, December 23, 2011, p. 3. Accessed at <http://www.medicaid.gov/Federal-Policy-Guidance/downloads/CIB-12-23-11.pdf> on October 28, 2015.

## Program Exclusions

As part of the process of enrolling Medicaid providers, State Medicaid programs are required to confirm that providers' disclosed owners are not excluded.<sup>17</sup> To do so, States must determine the exclusion status of providers and any owners through routine checks of Federal databases, including OIG's List of Excluded Individuals/Entities (LEIE) and the General Services Administration's Excluded Parties List System (EPLS).<sup>18, 19</sup> The LEIE is a database that contains all individuals and entities currently excluded by OIG from participating in federally funded health care programs.<sup>20</sup> The EPLS is a Governmentwide database with information on individuals and entities that have been suspended or excluded from receiving Federal financial assistance and benefits.<sup>21</sup> A provider with excluded owners should not be allowed to enroll in Medicaid.

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## METHODOLOGY

We used multiple data collection activities and sources for this report. First, in April 2013, we sent an electronic questionnaire to 51 State Medicaid programs.<sup>22</sup> The electronic questionnaire collected information on how each State Medicaid program collects and processes ownership information disclosed by providers. In particular, we asked each State Medicaid program how it verifies the completeness and accuracy of provider ownership information. We also asked each State Medicaid program whether it compared the ownership information that providers disclosed with the ownership information in the LEIE and EPLS.

Additionally, we collected supporting documentation from State Medicaid programs, which included the forms used to request ownership disclosures. We reviewed States' documentation—e.g., their provider enrollment applications, their State-specific ownership disclosure forms, and screenshots from their provider enrollment systems—to determine the

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<sup>17</sup> 42 CFR § 455.436.

<sup>18</sup> Ibid.

<sup>19</sup> In July 2012, the EPLS was consolidated with other Federal procurement systems into the System for Award Management (SAM). Phase I consolidation included the Central Contractor Registration/Federal Agency Registration, the Online Representations and Certifications Application, and the EPLS. *What is SAM?* Accessed at <https://www.sam.gov/sam/announce1.htm> on September 1, 2015.

<sup>20</sup> OIG, *List of Excluded Individuals and Entities Background Information*. Accessed at <http://oig.hhs.gov/exclusions/background.asp> on October 28, 2015.

<sup>21</sup> 71 Fed. Reg. 70515–70516 (Dec. 5, 2006).

<sup>22</sup> These 51 State Medicaid programs included all 50 States and the District of Columbia.

extent to which State Medicaid programs requested that providers disclose ownership information required by 42 CFR §§ 455.104(b) and 455.106(a).

Next, for selected providers, we collected and compared three sets of owner names: (1) those on record with State Medicaid programs for Medicaid enrollment purposes, (2) those submitted by providers directly to OIG for this evaluation, and (3) those on record with CMS for Medicare enrollment purposes.<sup>23</sup> We collected this information between December 2013 and April 2014. We compared owner names on record with State Medicaid programs to those submitted to OIG for 62 providers enrolled in Medicaid. We also compared owner names on record with State Medicaid programs to those on record with CMS for Medicare enrollment purposes for 58 of the 62 providers that were enrolled in both Medicaid and Medicare.

We completed an additional analysis on owner names submitted to OIG that were not on record with State Medicaid programs. Specifically, we analyzed the effective dates for a given owner's ownership to determine whether the dates fell within the 35-day window during which providers are required to notify their respective State Medicaid programs of the change. If dates fell within this window, providers still had time to notify the State Medicaid program of the change.

See the Appendix A for a detailed description of the methodology.

### **Limitations**

We did not attempt to collect information not reported or to verify information that providers submitted to OIG. For example, providers did not always report the effective date for a given owner's ownership. We did not attempt to collect these dates if providers had not reported them, nor did we attempt to verify such dates if providers had reported them.

Additionally, the matching of owner names across two or more sources did not necessarily mean that ownership information was complete and accurate. Providers could have submitted information that was incomplete and/or inaccurate—but that matched—to multiple programs (i.e., CMS, OIG, and/or State Medicaid programs).

Finally, the results of comparisons are not projected and pertain only to the providers in our review included in each comparison.

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<sup>23</sup> Provider types in our review are ambulatory surgical centers, ambulance services, independent clinical laboratories, comprehensive outpatient rehabilitation facilities, home health agencies, hospices, and renal disease facilities.



**Standards**

This study was conducted in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

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## FINDINGS

### **Few State Medicaid programs requested that providers disclose all required ownership information**

Few State Medicaid programs (7 of 50)<sup>24</sup> requested on their provider enrollment applications or ownership disclosure forms that providers disclose all required ownership information.<sup>25</sup> By “request,” we mean that the application or form included language asking providers to supply the required information. The remaining 43 State Medicaid programs did not request that providers disclose all required ownership information. CMS has noted that although some required ownership information may not seem on the surface to be immediately relevant to provider enrollment, this information can be important in an investigation, and State Medicaid programs are required to collect it.<sup>26</sup>

The required ownership information that State Medicaid programs most often did not request related to corporations, managing employees, and subcontractors. For example, 38 State Medicaid programs did not request all applicable address information that is required for corporate owners.<sup>27</sup> Seventeen State Medicaid programs did not request managing employees’ address information, and 11 did not request their dates of birth. Additionally, 16 State Medicaid programs did not ask whether there were any relationships between the disclosing entity and the owners of any subcontractor. Information on such relationships may be useful to investigators when family members who own different organizations are suspected of colluding to engage in fraudulent or abusive activities.

Table 1 lists the information that State Medicaid programs most often did not request that providers disclose. Appendix B shows the number of State Medicaid programs that did and did not request required ownership information.

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<sup>24</sup> We did not receive supporting documentation from 1 of the 51 State Medicaid programs and were therefore unable to determine whether it requested that providers disclose all required ownership information. As a result, the denominator for this finding is 50 State Medicaid programs.

<sup>25</sup> For the purposes of this evaluation, we define “required ownership information” as the information providers are required to disclose pursuant to 42 CFR §§ 455.104(b) and 455.106(a).

<sup>26</sup> CMS, *Medicaid Program Integrity Toolkits to Address Frequent Findings: 42 CFR 455.104 Disclosures of Ownership and Control*. Accessed at <https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/FraudAbuseforProfs/Downloads/fftoolkit-ownership-control.pdf> on January 27, 2016.

<sup>27</sup> All applicable address information for corporate entities includes the primary business address, every business location, and P.O. Box address. 42 CFR § 455.104(b)(1)(i).

**Table 1: Required Ownership Information Most Often Not Requested by State Medicaid Programs, 2013**

Required Ownership Information	Number of State Medicaid Programs That Did Not Request
All applicable address information for corporate entities with an ownership interest	38
Tax identification number of a corporation with an ownership interest in any subcontractor	27
Address of any managing employee	17
Whether the person with an ownership interest in any subcontractor is related to another person with an ownership interest in the disclosing entity	16
Date of birth of any managing employee	11
Address of any corporation with an ownership interest	11

Source: OIG analysis of State Medicaid programs' supporting documentation, 2015.

Nearly all (49 of 50) State Medicaid programs had providers disclose ownership information using the State's provider enrollment application or a State-specific ownership disclosure form. The one remaining State used the CMS-1513 form, an outdated form that requested only half of the required ownership information. (CMS discontinued use and reproduction of this form in August 2003.<sup>28</sup>)

### **Fourteen State Medicaid programs reported that they did not verify the completeness or accuracy of provider ownership information**

CMS recommends that State Medicaid programs verify the completeness and accuracy of provider ownership information. As shown in Table 2, 37 State Medicaid programs reported verifying the completeness and/or accuracy of provider ownership information. The remaining 14 State Medicaid programs reported not verifying the completeness or accuracy of provider ownership information.

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<sup>28</sup> CMS, *Discontinuance of Forms HCFA-1513, "Ownership and Control Interest Disclosure Statement" and HCFA-2572, "Statement of Financial Solvency"* (S&C-03-29), August 14, 2003. Accessed at <https://www.cms.gov/Medicare/Provider-Enrollment-and-Certification/SurveyCertificationGenInfo/Downloads/SCletter03-29.pdf> on December 9, 2015.

**Table 2: Verification of Provider Ownership Information by State Medicaid Programs, 2013**

Verification of Provider Ownership Information	Number of State Medicaid Programs
Verified Completeness and/or Accuracy	37
- Verified Completeness	37
- Verified Accuracy	18
Verified Neither Completeness Nor Accuracy	14
<b>Total</b>	<b>51</b>

Source: OIG analysis of State Medicaid programs' responses to electronic questionnaire, 2015.

Of the 37 State Medicaid programs that reported that they verified the completeness of provider ownership information, nearly two-thirds (24 States) reported that they do so by reviewing the provider-submitted enrollment application or ownership disclosure form to confirm that no required information is missing. Other ways in which State Medicaid programs reported verifying the completeness of provider ownership information include checking State Web sites or documentation related to corporate filings and licensure (7 States) and checking Federal databases, such as PECOS and the Social Security Administration's Death Master File (4 States).

Of the 18 State Medicaid programs that reported verifying the accuracy of provider ownership information, most reported that they do so by checking State Web sites (8 States) and Federal databases (7 States). Other ways in which State Medicaid programs reported verifying the accuracy of provider ownership information include reviewing documents about the business type and structure of an entity (3 States); comparing the most recently disclosed ownership information to that previously submitted (3 States); searching online for the provider's Web site and owners (2 States); and conducting site visits or reviewing their results (2 States).

Of the 14 State Medicaid programs that reported not verifying the completeness or accuracy of provider ownership information, 9 reported not having the systems or resources to do so. Four of the remaining programs reported that providers attest that the information they submit is complete and accurate.

## **Fourteen State Medicaid programs reported that they did not check all required exclusions databases, which could allow providers with excluded owners to enroll in Medicaid**

State Medicaid programs are required to check two databases as part of the Medicaid enrollment process to confirm that individuals or entities that providers disclose as owners are not excluded. Specifically, States are required to determine the exclusion status of owners through routine checks of the LEIE and EPLS.

As shown in Table 3, 37 of 51 State Medicaid programs reported that they check both the LEIE and EPLS to confirm that individuals or entities that providers disclosed were not excluded. Twenty-three of the thirty-seven State Medicaid programs reported that they check both the LEIE and EPLS during the processes of initial enrollment, re-enrollment, revalidation, and change of ownership. Seventeen reported that they check both the LEIE and EPLS at least monthly.

**Table 3: Checks of Exclusions Databases by State Medicaid Programs, 2013**

<b>Exclusions Databases Checked</b>	<b>Number of State Medicaid Programs</b>
Both LEIE and EPLS	37
Only LEIE	7
Only EPLS	4
Neither LEIE nor EPLS	3
<b>Total</b>	<b>51</b>

Source: OIG analysis of State Medicaid programs' responses to electronic questionnaire, 2015.

The remaining 14 State Medicaid programs reported that they do not check both exclusions databases as required. Eleven of these State Medicaid programs reported that they check one exclusions database but not the other. Specifically, seven State Medicaid programs reported checking the LEIE only and four reported checking the EPLS only.<sup>29</sup> The remaining three State Medicaid programs reported that they do not check either exclusions database.<sup>30</sup>

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<sup>29</sup> Three of the four State Medicaid programs that reported checking the EPLS but not the LEIE did report checking CMS's Medicare Exclusion Database—a database equivalent to the LEIE.

<sup>30</sup> One of the three State Medicaid programs that reported that it does not check the LEIE or EPLS did report checking CMS's Medicare Exclusion Database.

## **The prevalence of nonmatching owner names raises concern about the completeness and accuracy of information about Medicaid providers' ownership**

Overall, very few (4 of 58) providers in our review had owner names that matched across all three sources (i.e., State Medicaid programs, OIG, and CMS). The prevalence of nonmatching owner names raises concern about the completeness and accuracy of information about Medicaid providers' ownership.

### ***For most providers in our review, owner names on record with State Medicaid programs did not match those submitted to OIG***

When we compared the owner names on record with State Medicaid programs for Medicaid enrollment purposes to those that providers submitted to OIG for this evaluation, we found that 86 percent of providers in our review (53 of 62) had at least one nonmatching owner name. For 43 providers, some owner names matched and some did not match. For 10 providers, none of the owner names matched. Table 4 shows the extent to which owner names matched for the 62 providers in our review.

**Table 4: Extent to Which Owner Names On Record With State Medicaid Programs Matched Those Submitted to OIG, 2013**

Description	Number of Providers	Percentage of Providers
Not all owner names matched	53	85.5%
- Some—but not all—owner names matched	43	69.4%
- No owner names matched	10	16.1%
All owner names matched	9	14.5%
<b>Total</b>	<b>62</b>	<b>100.0%</b>

Source: OIG analysis of ownership information on record with State Medicaid programs and ownership information submitted to OIG, 2015.

Additionally, it appears that some providers in our review did not notify State Medicaid programs of changes in ownership within the required timeframe. Thirty-six providers in our review submitted owner names to OIG that were not on record with State Medicaid programs. Of these 36 providers, 29 reported the effective dates of ownership for 102 owners. For 96 percent of these owners (98 of 102), the effective dates fell outside the required 35-day window for providers to notify the State Medicaid program of the ownership changes.

***For nearly all providers in our review, owner names on record with State Medicaid programs did not match those on record with CMS***

Although Medicaid and Medicare ownership information is collected and maintained separately, State Medicaid programs and CMS should have the same owner names for providers enrolled in both programs. However, when we compared the owner names on record with State Medicaid programs for Medicaid enrollment purposes to those on record with CMS for Medicare enrollment purposes, we found that 90 percent of providers in our review (52 of 58) had at least one nonmatching owner name. For 44 providers, some owner names matched and some did not match. For eight providers, none of the owner names on record with State Medicaid programs matched those on record with CMS. Table 5 shows the extent to which owner names matched for the 58 providers in our review.

**Table 5: Extent to Which Owner Names On Record With State Medicaid Programs Matched Those On Record With CMS, 2013**

Description	Number of Providers	Percentage of Providers
Not all owner names matched	52	89.7%
- Some—but not all—owner names matched	44	75.9%
- No owner names matched	8	13.8%
All owner names matched	6	10.3%
<b>Total</b>	<b>58</b>	<b>100.0%</b>

Source: OIG analysis of ownership information on record with CMS and ownership information on record with State Medicaid programs, 2015.

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## CONCLUSION AND RECOMMENDATIONS

States can prevent inappropriate payments, protect beneficiaries, and reduce time-consuming and expensive “pay and chase” activities by ensuring that providers that intend to engage in fraudulent or abusive activities are not allowed to enroll in Medicaid. For States to identify potentially fraudulent providers, as well as those that may be associated with excluded individuals or entities, providers must disclose accurate and timely information about their owners.

However, few State Medicaid programs requested that providers disclose all required ownership information. In addition, 14 State Medicaid programs reported not verifying the completeness or accuracy of provider ownership information. We also found that 14 State Medicaid programs reported that they do not check all required exclusions databases, which could allow providers with excluded owners to enroll in Medicaid. Additionally, we found that most providers in our review had names on record with State Medicaid programs that did not match those that providers submitted to OIG. Further, nearly all providers in our review had names on record with State Medicaid programs that did not match those on record with CMS. The prevalence of nonmatching owner names raises concern about the completeness and accuracy of information about Medicaid providers’ ownership. It also suggests that providers may not be complying with the requirement to report ownership changes to State Medicaid programs.

Taken together, these findings reveal vulnerabilities that could allow potentially fraudulent providers to enroll in State Medicaid programs and limit States’ ability to provide adequate oversight. Therefore, we recommend that CMS:

### **Work with State Medicaid programs to identify and correct gaps in their collection of all required provider ownership information**

CMS should ensure that State Medicaid programs are requesting that providers disclose all required ownership information through the provider enrollment application or an ownership disclosure form. One way in which CMS could implement this recommendation is by creating a standard document that requests all required ownership information. CMS could then encourage or require State Medicaid programs to use this document when requesting that providers disclose ownership information.

In a separate memorandum, we will refer to CMS the 43 State Medicaid programs that did not request that providers disclose all required provider ownership information on the provider enrollment application or ownership disclosure form.



### **Provide guidance to State Medicaid programs on how to verify the completeness and accuracy of provider ownership information**

CMS has recommended that States verify the completeness and accuracy of ownership information disclosed by providers, but it has not provided guidance on how States should perform this verification. As a result, we found States vary in their methods for conducting this verification. CMS should determine which, if any, of these methods are best practices for verifying completeness and accuracy and provide guidance to State Medicaid programs on these best practices. To help identify best practices, CMS could consider the methods that its contractors use to verify the ownership information that providers disclose when they enroll in Medicare.

### **Require State Medicaid programs to verify the completeness and accuracy of provider ownership information**

CMS has recommended—but does not require—that States verify the completeness and accuracy of ownership information disclosed by providers. As a result, we found that several States do not conduct this verification. Therefore, CMS should require State Medicaid programs to verify the completeness and accuracy of provider ownership information.

### **Ensure that State Medicaid programs check exclusions databases as required**

CMS should ensure that all State Medicaid programs check the LEIE and EPLS, as required, as part of the Medicaid enrollment process to confirm that individuals and entities that providers disclosed as owners are not excluded. The checking of exclusions databases is an important safeguard that ensures that excluded individuals and entities are kept out of State Medicaid programs. CMS could ensure that States conduct these required checks as part of its audits of State Medicaid programs and/or through some other process (e.g., by requiring the States to attest that they conduct the exclusions checks).

In the aforementioned memorandum, we will refer to CMS the 14 State Medicaid programs that reported that they do not check the LEIE and/or the EPLS.

### **Work with State Medicaid programs to educate providers on the requirement to report changes of ownership**

CMS should work with State Medicaid programs to educate providers on the requirement to report changes of ownership to State Medicaid programs within 35 days and the actions that States may take if providers do not comply with this requirement.

**Work with State Medicaid programs to review providers that submitted nonmatching owner names and take appropriate action**

In the aforementioned memorandum, we will refer to CMS the 53 providers that had owner names on record with State Medicaid programs that did not match those submitted to OIG. CMS should work with State Medicaid programs to review these providers' enrollment records. After this review, State Medicaid programs should determine and take appropriate courses of action.

**Increase coordination with State Medicaid programs on collecting and verifying provider ownership information in Medicare and Medicaid**

CMS should coordinate with State Medicaid programs on the collection and verification of ownership information for providers enrolling or enrolled in Medicare and Medicaid. For example, CMS could encourage State Medicaid programs to use their access to PECOS when verifying provider ownership information and to notify Medicare Administrative Contractors (MACs) when they identify nonmatching information. State Medicaid programs and MACs could then collaborate to determine why provider ownership information does not match and address the issue.

In the longer term, CMS should consider working towards consolidating ownership information for providers enrolling or enrolled in Medicare and/or Medicaid into one centralized system. This would make processes more efficient. Namely, this would reduce burden on providers and streamline the enrollment process because providers would no longer have to separately disclose ownership information both to CMS and State Medicaid programs.

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## **AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

CMS concurred with all seven of our recommendations. In its comments, CMS stated that it is strongly committed to Medicaid program integrity efforts and is continuously working to enhance the process for provider enrollment and screening. CMS stated that since 2011, when it finalized regulations to require the revalidation of Medicaid providers, it has taken several actions to help States fulfill this requirement. For example, CMS has provided States with direct access to Medicare's enrollment data and monthly data extracts that States can use to compare their records against Medicare enrollment information. CMS also stated that it has provided extensive guidance and technical assistance to help States with their revalidation efforts.

CMS stated that it will implement a number of actions to address OIG's recommendations. For example, CMS will continue to work with States to ensure that they are requesting all required ownership information from providers. CMS will also work with States to examine discrepancies identified in this report in which the State records for owner names of enrolled providers that do not match the owner names that providers submitted to OIG. CMS will also determine whether regulations are needed to require States to verify the completeness and accuracy of provider ownership information.

In addition, CMS stated that it will work with States and other relevant stakeholders to enhance processes for collecting and verifying provider ownership information. As CMS enhances these processes, we encourage it to focus specifically on increasing coordination and reducing duplicative efforts between the Medicaid and Medicare programs, and to consider moving towards one consolidated system in the future.

The full text of CMS's comments is provided in Appendix C. We also made changes to the report based on technical comments that CMS sent separately.

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## APPENDIX A

### Detailed Methodology

#### State Medicaid Program Electronic Questionnaire

In April 2013, we sent an electronic questionnaire to 51 State Medicaid programs.<sup>31</sup> The electronic questionnaire collected information on how each State Medicaid program collects and processes ownership information disclosed by providers. By September 2013, we received responses to all applicable questions from each State Medicaid program. We reviewed and analyzed responses to determine whether each State Medicaid program verifies the completeness and/or accuracy of provider ownership information and what methods it uses to do so. We also reviewed and analyzed responses to determine whether each State Medicaid program compared ownership information that providers disclosed to the two exclusions databases—i.e., the LEIE and EPLS—that State Medicaid programs are required to check as part of the Medicaid enrollment process.

Additionally, we collected supporting documentation from State Medicaid programs, which included the forms used to request ownership disclosures. We reviewed this documentation—e.g., States' provider enrollment applications, their State-specific ownership disclosure forms, and screenshots from their respective systems for provider enrollment—to determine the extent to which States requested that providers disclose ownership information required by 42 CFR §§ 455.104(b) and 455.106(a).

#### Provider Selection

We selected a random sample of 170 providers that were enrolled in Medicare and/or Medicaid as of January 1, 2012, in specific provider types.<sup>32</sup> We designed the sample such that the results of our review would be projectable. However, as our data analysis progressed, it became clear that providers enrolled in two State Medicaid programs were

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<sup>31</sup> The 51 State Medicaid programs included all 50 States and the District of Columbia. We also sent an information request to Puerto Rico, which indicated that it does not provide fee-for-service Medicaid. Because we limited our review to fee-for-service programs, Puerto Rico is not included in our results on the collection and verification of provider ownership information.

<sup>32</sup> Provider types in our review are ambulatory surgical centers, ambulance services, independent clinical laboratories, comprehensive outpatient rehabilitation facilities, home health agencies, hospices, and renal disease facilities.

overrepresented in the population because duplicate providers had not been removed before we selected our sample.<sup>33</sup>

We selected the 170 providers using 2 population files in such a way that 30 providers were enrolled in Medicare, 30 providers were enrolled in Medicaid, and 110 providers were enrolled in Medicare and Medicaid.

- The first population file consisted of 34,984 records for providers enrolled in Medicare as of January 1, 2012, in our specified provider types. To create this file, we extracted identification and contact information from PECOS.<sup>34</sup> In particular, for each provider, we collected the name, provider type, address, phone number, national provider identifier (NPI), and tax identification number (TIN). We then selected from this file 30 records that were associated with 30 distinct providers enrolled in Medicare.
- The second population file consisted of 35,394 providers enrolled in Medicaid as of January 1, 2012, in our specified provider types. To create this file, we requested and received identification and contact information from each of the 52 State Medicaid programs on individual and nonindividual providers, including those in our specified provider types, enrolled as of January 1, 2012.<sup>35</sup> In particular, for each provider, we requested the name, provider type, address, phone number, Medicaid provider identification number, NPI, TIN, Social Security number (SSN), and State license number. To compile this file, we combined information received from each Medicaid program and created a separate record for each unique combination, by Medicaid program, of Medicaid provider identification number, NPI, TIN, SSN, and State license number. Once we compiled this information, we limited the file to our specified nonindividual provider types, thus reducing it from 2.86 million to 35,394 providers. From this subset, we selected 140 providers enrolled in Medicaid, of which at least 110 appeared to also be enrolled in Medicare.

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<sup>33</sup> To project the results of our analysis, we would have needed to remove duplicate providers from the population, sample providers again, and collect ownership information again. Because we did not identify this duplication until our data were collected, we did not do this because of the time and resources it would require. Therefore, we do not make projections in this report.

<sup>34</sup> We used a snapshot of PECOS to ensure that this population file consisted of providers enrolled in Medicare as of January 1, 2012.

<sup>35</sup> The 52 State Medicaid programs consist of all 50 States, the District of Columbia, and Puerto Rico. We requested information on individual providers for separate OIG evaluations.

## **Collection of Provider Ownership Information**

We collected three sets of current (i.e., as of the date of our data collection) owner names and other information: (1) those on record with State Medicaid programs for Medicaid enrollment purposes, (2) those submitted by providers directly to OIG for this evaluation, and (3) those on record with CMS for Medicare enrollment purposes.

We first collected owner names directly from selected providers. From November 2013 to January 2014, we sent electronic questionnaires to the 170 selected providers and requested ownership information (e.g., owner names, dates each owner's ownership took effect, TINs, and SSNs) as of the date the provider received the questionnaire. We sent up to two written requests by mail and attempted to contact nonresponding providers by telephone and email, if this information was available. We received responses from 119 providers and did not receive responses from 29 providers. The remaining 22 providers were considered ineligible because they did not meet our selection criteria regarding provider type and/or enrollment timeframe.

As part of the questionnaire, we also asked providers whether they were enrolled in Medicaid and/or Medicare. If providers indicated that they were not enrolled in one or both programs, we no longer classified them as being enrolled in the program(s). Of the 119 responding providers, 106 indicated they were enrolled in Medicaid. Additionally, 100 of the 106 providers also indicated that they were enrolled in Medicare.

Next, we collected owner names on record with State Medicaid programs for Medicaid enrollment purposes. From December 2013 to February 2014, we collected ownership information for selected providers from State Medicaid programs. State Medicaid programs provided electronic and hardcopy documents showing ownership disclosures, as well as extracts from ownership-disclosure databases. Of the 106 providers enrolled in Medicaid, we received information for 76 providers from State Medicaid programs. Of the 100 providers enrolled in both Medicaid and Medicare, we received information for 71 providers from State Medicaid programs.

Finally, we collected owner names on record with CMS for Medicare enrollment purposes. From December 2013 to April 2014, we extracted ownership information (e.g., owner names, ownership roles) from PECOS for selected providers.

## **Analysis of Provider Ownership Information**

We conducted two comparisons of the three sets of owner names—those on record with State Medicaid programs, those submitted by providers to OIG, and those on record with CMS. Each comparison involved

(1) confirming that information being compared was for the same provider and (2) evaluating the similarity of owner names.

*Comparison of Ownership Information on Record With State Medicaid Programs and Ownership Information Submitted to OIG.* The first comparison determined the extent to which owner names on record with State Medicaid programs for Medicaid enrollment purposes matched those submitted to OIG for this evaluation.

We first manually compared each provider’s NPI, TIN, and/or name and address in the information on record with State Medicaid programs to those submitted to OIG. We confirmed that 62 of these 76 providers were the same. We removed the remaining 14 providers from our analysis because we were unable to confirm that the State Medicaid program records and the OIG records were for the same provider.

Next, we compared owner names on record with State Medicaid programs to those that the 62 providers submitted to OIG. We identified names that matched, meaning that the name was on record with the State Medicaid program and submitted to OIG. We also identified names that did not match—meaning that the name was on record with the State Medicaid program but not submitted to OIG or vice versa—and called these names “nonmatching.” When we compared names, if we found owner names that were not identical but were reasonably similar, we considered the names to match. For example, if owner names were not identical but were reasonably similar (e.g., “James Harris” and “Jim Harris”), we considered the names to match. See Figure 1 for an illustration of a provider that had two names that matched as well as both types of nonmatching names.

**Figure 1: Illustration of Provider’s Owner Names That Did and Did Not Match**

Name Submitted by Provider to State Medicaid Program	Name Submitted by Provider to OIG	Match Versus Nonmatch
James Harris	Jim Harris	Match
Jane Smith	Jane Smith	Match
Business A		Nonmatch
	Company B	Nonmatch

Note: Blanks illustrate that the individual or entity’s name was not on record with the State Medicaid program or not submitted to OIG.

Additionally, we completed two analyses on owner names submitted to OIG that were not on record with State Medicaid programs. First, we analyzed the dates on which these owners’ ownership took effect to determine whether the dates fell within the 35-day window during which providers are required to notify their respective State Medicaid programs

of such changes. If dates fell within this window, providers still had time to notify their State Medicaid programs of the change. Second, we searched the LEIE and EPLS for owner names submitted to OIG that were not submitted to State Medicaid programs to determine whether these individuals or entities were excluded. Because these names were not in its ownership information, the State Medicaid program could not have previously searched for them in exclusions databases. We did not find any of these names in the LEIE or EPLS at the time of our review.

*Comparison of Ownership Information on Record With State Medicaid Programs and Ownership Information on Record With CMS.* The second comparison determined the extent to which owner names on record with State Medicaid programs for Medicaid enrollment purposes matched those on record with CMS for Medicare enrollment purposes.

We manually compared each provider's NPI, TIN, and/or name and address in the information on record with State Medicaid programs to those on record with CMS. We confirmed that 58 of these 71 providers were the same. We removed the remaining 13 providers from our analysis because we were unable to confirm that the records from State Medicaid programs and the records from CMS were for the same providers.

Next, we compared owner names on record with State Medicaid programs and CMS for each of the 58 providers. For our comparison of these owner names, we used the same methodology as for our comparison of owner names on record with State Medicaid programs and owner names submitted to OIG.



## APPENDIX B

### Extent to Which State Medicaid Programs Requested Required Ownership Information, 2013

Citation	Required Information	Number of State Medicaid Programs that Requested Information	Number of State Medicaid Programs that Did Not Request Information
42 CFR § 455.104(b)(1)(i)	Name of any individual with an ownership or control interest	50	0
42 CFR § 455.104(b)(2)	Whether the person with an ownership or control interest in the disclosing entity is related to another person with ownership or control interest in the disclosing entity as a spouse, parent, child or sibling	47	3
42 CFR § 455.106(a)	Identity of any person who has ownership or control interest and has been convicted of a criminal offense related to that person's involvement in any program under Medicare, Medicaid, or the Title XX services program	46	4
42 CFR § 455.106(a)	Identity of any person who is agent or managing employee and has been convicted of a criminal offense related to that person's involvement in any program under Medicare, Medicaid, or the Title XX services program	46	4
42 CFR § 455.104(b)(1)(ii)	Social Security number of an individual with an ownership or control interest	45	5
42 CFR § 455.104(b)(1)(i)	Address of any individual with an ownership or control interest	44	6
42 CFR § 455.104(b)(1)(ii)	Date of birth of an individual with an ownership or control interest	41	9
42 CFR § 455.104(b)(1)(i)	Name of any corporation with an ownership or control interest	43	7
42 CFR § 455.104(b)(4)	Name of any managing employee	43	7
42 CFR § 455.104(b)(3)	The name of any other disclosing entity in which an owner of the disclosing entity has an ownership or control interest	41	9
42 CFR § 455.104(b)(4)	Social Security number of any managing employee	41	9
42 CFR § 455.104(b)(1)(iii)	Tax Identification Number of a corporation with an ownership or control interest in the disclosing entity	40	10
42 CFR § 455.104(b)(1)(i)	Address of any corporation with an ownership or control interest	39	11

Continued on next page

<b>Citation</b>	<b>Required Information</b>	<b>Number of State Medicaid Programs that Requested Information</b>	<b>Number of State Medicaid Programs that Did Not Request Information</b>
42 CFR § 455.104(b)(4)	Date of birth of any managing employee	39	11
42 CFR § 455.104(b)(2)	Whether the person with an ownership or control interest in any subcontractor in which the disclosing entity has a 5 percent or more interest is related to another person with ownership or control interest in the disclosing entity as a spouse, parent, child, or sibling	34	16
42 CFR § 455.104(b)(4)	Address of any managing employee	33	17
42 CFR § 455.104(b)(1)(iii)	Tax Identification Number of a corporation with an ownership or control interest in any subcontractor in which the disclosing entity has a 5 percent or more interest	23	27
42 CFR § 455.104(b)(1)(i)	The address for corporate entities must include as applicable primary business address, every business location, and P.O. Box address	12	38

Source: OIG analysis of State Medicaid programs' supporting documentation, 2015.

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## APPENDIX C

### Agency Comments



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

200 Independence Avenue SW  
Washington, DC 20201

**DATE:** MAY -6 2016

**TO:** Daniel R. Levinson  
Inspector General

**FROM:** Andrew M. Slavitt *Andrew M. Slavitt*  
Acting Administrator

**SUBJECT:** Office of Inspector General (OIG) Draft Report: "Medicaid: Vulnerabilities  
Related to Provider Enrollment and Ownership Disclosure" (OEI-04-11-00590)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of Inspector General's (OIG) draft report. CMS is strongly committed to program integrity efforts in Medicaid and is continuously working to enhance the provider enrollment and screening process.

In February 2011, CMS finalized regulations to implement categorical risk-based screening of newly enrolling and re-enrolling Medicaid providers and to revalidate all current Medicaid providers under the categorical risk-based screening requirements, as authorized by the Affordable Care Act. Categories of risk include factors such as the type of service provided and history of previous adverse actions. Providers in the limited risk category undergo verification of licensure, verification of compliance with federal regulations and state requirements, and checks against various databases. Providers in the moderate and high risk categories undergo additional screening, including unannounced site visits. Additionally, as a condition of enrollment, states must require providers in the high risk providers category or persons with 5 percent or greater ownership interest in such providers to consent to criminal background checks, including fingerprinting.

CMS has taken several steps to help states fulfill the requirement to revalidate Medicaid providers. CMS has provided states with direct access to Medicare's enrollment database—the Provider Enrollment, Chain, and Ownership System (PECOS)—as well as monthly PECOS data extracts that states can use to systematically compare state enrollment records against available PECOS information. CMS also has dedicated staff to coordinate directly with each state and continues to provide extensive guidance and technical assistance to assist states with their revalidation efforts.

CMS has taken steps to help states implement the provider ownership disclosure requirements. CMS conducts regular state program integrity reviews to assess the effectiveness of states' program integrity efforts. Through these reviews, CMS has worked with states to improve their practices for collecting required disclosures from providers. In December 2014, CMS published a toolkit to help states better understand federal requirements and improve compliance with federal regulations regarding disclosures of ownership and control. In March 2016, CMS

published the Medicaid Provider Enrollment Compendium (Compendium), which includes guidance to help states implement the provider ownership disclosure requirements. The Compendium is intended to provide states with a consolidated resource of guidance to improve compliance with Medicaid disclosure of information and provider screening and enrollment requirements.

OIG's recommendations and CMS' responses are below.

**OIG Recommendation**

Ensure state Medicaid programs are requesting that providers disclose all required ownership information.

**CMS Response**

CMS concurs with OIG's recommendation. CMS has published guidance to help states implement the provider ownership disclosure requirements. Most recently, CMS published the Medicaid Provider Enrollment Compendium in March 2016. CMS will continue to work with states to make sure they are requesting all required ownership information from providers.

**OIG Recommendation**

Provide guidance to state Medicaid programs on how to verify the completeness and accuracy of provider ownership information.

**CMS Response**

CMS concurs with OIG's recommendation. CMS will review the methods OIG outlines in its report for verifying the completeness and accuracy of provider ownership information and determine which, if any, of these practices should be disseminated to states through guidance.

**OIG Recommendation**

Require state Medicaid programs to verify the completeness and accuracy of provider ownership information.

**CMS Response**

CMS concurs with OIG's recommendation. CMS will determine if regulations are needed to require states to verify the completeness and accuracy of provider ownership information.

**OIG Recommendation**

Ensure that state Medicaid programs check exclusion databases as required.

**CMS Response**

CMS concurs with OIG's recommendation. CMS will continue its work with states to make sure they are checking all required federal exclusion databases as required.

**OIG Recommendation**

Work with state Medicaid programs to educate providers on the requirement to report changes of ownership.

**CMS Response**

CMS concurs with OIG's recommendation. CMS will work with states to educate providers on their reporting obligations regarding changes in ownership.

**OIG Recommendation**

Work with State Medicaid programs to review providers that submitted nonmatching owner names and take appropriate action.

**CMS Response**

CMS concurs with OIG's recommendation. CMS will work with states to examine discrepancies in owner names for enrolled providers that do not match the owner names that providers submitted to OIG for their study.

**OIG Recommendation**

Increase coordination with state Medicaid programs on the collection and verification of provider ownership information in Medicare and Medicaid.

**CMS Response**

CMS concurs with OIG's recommendation. CMS will work with states and other relevant stakeholders to enhance state and federal processes for the collection and verification of provider ownership information.

CMS thanks OIG for their efforts on this issue and looks forward to working with OIG on this and other issues in the future.

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## **ACKNOWLEDGMENTS**

This report was prepared under the direction of Dwayne Grant, Regional Inspector General for Evaluation and Inspections in the Atlanta regional office, and Jaime Stewart, Deputy Regional Inspector General.

Rachel Bessette served as the lead analyst for this study. Other Office of Evaluation and Inspections staff from the Atlanta regional office who conducted the study include David Samchok and Janna Sayer. Central office staff who provided support include Clarence Arnold; Eddie Baker, Jr.; Scott Horning; Kevin Manley; Scott Manley; and Christine Moritz.

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# Office of Inspector General

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