

AHCCCS Member Exploitation and Provider Fraud - A Year in Review

Executive Summary

In May 2023, Governor Katie Hobbs, Attorney General Kris Mayes, and the Arizona Health Care Cost Containment System (AHCCCS) announced its initial findings of credible and willful fraud by sober-living providers across the state. These findings pointed to blatant and intentional exploitation of members and government programs. As such, AHCCCS, along with the Arizona Attorney General and other law enforcement agencies, have dedicated significant resources to respond to this issue and to create a proactive plan to ensure that this does not happen again.

Although much progress has been made, there have been challenges as the State works towards full recovery.

While focusing on member impact and humanitarian response efforts, criminal charges against bad actors and recoupment of funds have been at the forefront of these changes. With support from Tribal liaisons, providers and the legislature, the state has addressed staffing and agency reforms, as well as the legal implications of fraud.

The State recognizes the importance of stopping the bad actors and stemming the flow of funds through significant and impactful policy and system changes.

Stakeholder Views

Stakeholders hold complex and evolving views on the actions AHCCCS has taken. Stakeholders regularly express appreciation for AHCCCS' commitment to stopping the operations of these bad actors. Perhaps most importantly, AHCCCS' relationships with Tribes is improving. This is evidenced by the gratitude exhibited toward AHCCCS for visiting Tribal lands, one-on-one conversations between Tribal and AHCCCS leadership, and an increasing sense of collaboration that is born from frequent dialogue, authenticity, and time.

To address concerns about the organization's historic lack of communication and coordination with Tribal Nations, AHCCCS has transformed the way it conducts Tribal Consultation to incorporate greater feedback from – and true consultation with – tribal leaders. The AHCCCS Cabinet Executive Officer (CEO) has also led a concerted effort to rebuild relationships with Tribal Nations by requesting meetings on tribal lands of all 22 Arizona Tribes and has visited several Nations to better understand their needs and AHCCCS relationship.

Upon confirmation of this fraud scheme, AHCCCS contracted with [Solari](#) to support the newly established 211, press 7 helpline dedicated to Humanitarian Response. As a result, dedicated Solari staff are now able to provide an initial assessment of need for those outreaching for help. Since the launch of the helpline, more than 30,000 calls have been answered with over 10,000 individuals served.

AHCCCS and Solari host bi-weekly calls for Tribal leaders to hear the latest on AHCCCS' actions and to engage in dialogue. These regular touchpoints have revealed areas to improve communication and our response (e.g., implementing requirements to ensure that every victim transported by Solari has someone waiting to receive the individual at their ultimate destination).

Lastly, to address bad actors' exploitation of user-friendly Tribal attestation processes, AHCCCS established a workgroup with the Inter-Tribal Council of Arizona. This workgroup will convene Tribal leaders to come to consensus on a more rigorous process that AHCCCS can implement to verify Tribal affiliation.

AHCCCS has also needed to work closely with the behavioral health provider community, as they're navigating a new landscape that includes updated standards and processes.

AHCCCS has taken action to reduce provider abrasion without compromising our commitment to fraud prevention. To this end, AHCCCS has enhanced our engagement with reputable providers and provider groups, bringing them to the table to understand and address their needs during this challenging period. This has led to:

- Monthly meetings with the Arizona Council of Human Service Providers,
- Working with the Council and trusted behavioral health providers in the formation of the upcoming behavioral health service billing guide,
- Providing technical assistance and training to providers on proper billing practices,
- Refining internal vetting criteria for provider applications, and
- Implementing automated customer service tools to keep providers informed about the status of their enrollment applications.

Lastly, AHCCCS continues to actively work with our partners at the Attorney General’s office (AGO) to provide any data they need to seek justice against fraudulent providers. Our teams have met in-person on multiple occasions to provide updates on the status of the stop-gap recommendations made by the AGO in early 2023 (many of which have since been operationalized by AHCCCS).

Tribal Relations

Tribal relations have been a key focus of both the Arizona Department of Health Services (ADHS) and AHCCCS over the past year. The agencies have hosted several joint “special topic Tribal consultation” meetings dedicated to addressing this topic. The intention has been to listen, consult, learn, inform, and develop policies and changes alongside the most impacted community members.

AHCCCS has evidence that bad actors lured non-American Indian people into the American Indian Health Program (AIHP) due to fewer restrictions regulating the Fee-for-Service program. In fact, over half (63%) of the members assisted in the Humanitarian Response effort have self-disclosed that they are not American Indian.

Recognizing that the fraudulent providers would not likely uphold their continuity of care obligations, the State established a hotline to respond to member/victim concerns quickly and efficiently. This Humanitarian Response was provided through the 211, press 7 network and offered referral assistance, crisis response and assessment, temporary lodging, basic hygiene supplies, food (breakfast, lunch, dinner, snacks), and transportation to hotel lodging, medical appointments, school, and home, including out-of-state airfare and bus transport, if needed.

With nearly \$20 million allocated to this effort, just under 30,000 phone calls have been received, resulting in almost 10,000 requests for hotel lodging and 103 requests for out-of-state transportation to locations including New Mexico (31), Montana (27) and California (5).

Total members assisted in Humanitarian Response over the past year (as of 4/17/2024):

	Total Members
Phone calls to 211*7 hotline for resources	29,889
Hotel - Temporary Lodging	3,756
Out-of-state Transports (Top 3 States)	103 NM (31), MT (27), CA (5)

Funding Summary on Humanitarian Response (as of 4/19/2024):

	Expended	Remaining
Initial Funding (SLRF)		\$20,003,965
Solari (211*7, initial hotel services)	(\$8,288,125)	
CBI (hotels and wraparound services)	(\$7,390,928)	
<i>Subtotal</i>	<i>(\$15,679,053)</i>	
<i>Total</i>		<i>\$4,324,912</i>

Tribal Policy Changes

The AIHP Tribal Verification Proposal is being used to initiate discussions among Tribes to identify appropriate Tribal membership documentation that can be used as criteria for enrollment in AIHP. AHCCCS has presented this proposal during Tribal Consultation, is scheduling meetings with Tribal leadership, and has requested feedback from Tribes by July 25, 2024. Once Tribes identify acceptable documentation, AHCCCS will determine which forms of documentation are able to be properly vetted through the agency’s enrollment process.

AHCCCS heard the heart-wrenching stories from Tribal partners of loved ones and family members gone missing. To assist tribal communities and law enforcement, AHCCCS created a process for law enforcement to request access to the data AHCCCS has for its members. This was launched in May 2023 (see [AHCCCS announcement from May 8, 2023 here](#)). To date, AHCCCS has received 29 requests from law enforcement agencies. Interested law enforcement agencies can access this process by sending a [request for data form](#) to missingpersons@azahcccs.gov.

Tribal Public Awareness Campaign

In May 2024, AHCCCS launched a public awareness campaign that includes digital toolkits for Tribal members and leaders, and for frontline workers, that includes social media posts, influencer scripts, fliers, infographics, web banners, and wallet card.

In addition, AHCCCS launched a new Tribal Resources web page to help educate members, providers, and others about the red flags when it comes to fraudulent providers, and to provide valuable resources to empower Tribal members. Visit www.azahcccs.gov/TribalResources for more information.

Social Media Post



Know the red flags.

Protect yourself and your family from dishonest health providers. Learn the warning signs to stay safe.

AHCCCS
Arizona Health Care Cost Containment System

Outreach Flier

Stay safe from suspicious health providers.

Dishonest people posing as health providers have taken advantage of Native American AHCCCS members seeking treatment for addiction, using lies and manipulation to steal their insurance benefits. **Please, stay safe.** If someone makes an offer that's too good to be true, it probably is.

Honest health providers will **NOT**:

- Offer money, drugs, or gifts
- Ask you to change your health plan
- Pressure you to make a decision now



Recovery is real. We can help.

We're committed to supporting Native Americans struggling with addiction or mental health challenges. Scan the QR code below for our most updated list of trustworthy resources.

Know the warning signs. Find real treatment.



www.azahcccs.gov/tribalresources



Legislative Actions

The agency continues to work with ADHS, the legislature, and the Governor's Office on legislation efforts to strengthen oversight of behavioral health and sober-living providers. The AHCCCS' legislative team and leadership has supported legislative proposals to address and prevent fraud moving forward as it relates to licensure and other proposals. It is important to note that AHCCCS has statutory authority and flexibility to conduct oversight (both state/federal); however, the agency recognizes the need for increased staff and internal resources to prevent such fraudulent schemes moving forward.

As such, a primary focus of the agency has been emphasizing the importance of the Executive Budget's staffing proposal to legislators and stakeholders, which include important roles such as investigators and clinical reviewers. The agency's budget request also includes continuing funding for IT modernization, which plays a similarly critical role in ensuring the agency's technological infrastructure can adequately respond to and prevent further fraud schemes. These administrative resources, with the support of the Legislature, will be crucial in building the agency's ability to sustainably prevent bad actors from receiving funding, while providing support, technical assistance and guidance to our behavioral health providers.

Inside AHCCCS: Reforming the Agency

AHCCCS recognized a need for a change to the AHCCCS Division of Fee for Service Management (DFSM) to ensure appropriate staffing and proper structure to oversee providers offering services to members of the American Indian Health Program (AIHP). AHCCCS has changed the DFSM organizational structure, and added 80+ full-time positions in the past year.

AHCCCS has added a key role to the agency's organizational structure: a Chief Compliance Officer (CCO). The CCO will be responsible for the following:

- Establishing standards and implementing procedures to ensure that the compliance programs throughout the agency are effective and efficient in identifying, preventing, detecting, and correcting noncompliance with policies, procedures, and applicable legal requirements.
- Investigate and report compliance failures.
- Develop and maintain a compliance work plan.
- Prepare and present regular, clear, and concise compliance reports to executive management.
- Provide referrals of fraud, waste, and abuse to the Office of Inspector General (OIG) and receive referrals from OIG for detected internal compliance failures.

The organizational changes are detailed on the [About Us web page](#) on the AHCCCS website and describe the staffing changes in the Fee-for-Service management area, communications team, legal team, inspector general area, and the addition of the Chief Compliance Officer.

In reflection, AHCCCS realizes a need for its leadership to recommit on escalating problems and acting with urgency to safeguard members. Employees are being empowered and challenged to continue escalation until solutions are achieved. The Chief Compliance Officer role is essential to assure every employee concerned with unaddressed problems is heard and appropriate corrective action taken. The executive management team is also working on establishing workgroup best practice protocols to provide clarity on expectations and effective project management and communication.

Stop Gap Strategies

As the extent of the fraud was revealed, AHCCCS recognized the need for holistic and systemwide changes. AHCCCS partnered with the Attorney General and Governor's Office to develop a comprehensive plan to address the loopholes fraudulent providers were exploiting.

Stop Gap Strategies Implemented:

- Increased scrutiny of claims based on claims volume.
- Issued a moratorium on new provider registrations for impacted provider types.
- Prevented Reimbursement of Claims for Impossibly Rendered Services.
- Claims for Substance Abuse Services for Children under the age of 12 to Require Clinical Review Prior to Payment.
- Set thresholds for services to initiate a prepayment review.
- Required claims to be billed for specific dates of service rather than ranges.
- Flagged claims for services of the same style/overlapping codes.
- Created a prepayment review process for providers utilizing suspicious billing practices.
- Eliminated retroactive billing.
- Credible Allegation of Fraud (CAF) suspensions include both provider entities and owners/BH practitioners.
- Implemented ID.Me identity verification for AHCCCS Online.
- Required providers to disclose any third-party billing relationships.
- Behavioral Health Providers are now considered high-risk provider types for provider enrollment.
- Per Diem codes have been set to only be able to be billed once per day.
- Practitioners, including Behavioral Health Technicians, can no longer be patients at the same provider.
- Worked with the Arizona Corporation Commission to flag suspicious registrations.

- Ensured AHCCCS coding adhered to National Correct Coding Initiative (NCCI) standards and confirmed no edits had been turned off.
- Streamlined AHCCCS reporting of bad actors to the appropriate professional oversight boards.

Stop Gap Strategies In Process:

- Implementing eligibility integrity requirements for AIHP enrollment.
- Linking BHP to BH companies they work for.
- Link BHPs to BH facilities they work at.
- Conduct onsite quality of care reviews for patients in treatment longer than 90 days.
- Require medical records to define specialized services.
- Implement a new pre/post pay claims system.
- Transition to direct deposit for AHCCCS reimbursements.

Additional Changes

Provider Enrollment processes were enhanced by moving certain provider types into high-risk categories, revising and strengthening policies, and updating the AHCCCS Provider Enrollment Portal (APEP) with new features to better address claims and provider enrollment.

AHCCCS also determined that the public behavioral health system would benefit from the re-adoption of the Covered Behavioral Health Services Guide (CBHSG). The CBHSG provides detailed information about the public behavioral health system in Arizona, including behavioral health provider types, provider type requirements, covered behavioral health categories, behavioral health coding requirements, billing limitations, and other critical information to both educate as well as prevent future fraud, waste, or abuse in the state’s public behavioral health system. AHCCCS continues to consult with stakeholders, internal Subject Matter Experts, and leadership to finalize the guide.

Community Partner-Assistor Organizations (CP-AO) who help individuals and families connect to coverage, benefits and services now go through a vetting process as part of the initial application. In addition, individual users) are now vetted prior to being granted access to Health-e-Arizona Plus (HEAplus). A process was added to review CAF suspended entities against the CP-AO list. A CP-AO termination notice is issued to any CP-AO who is also a CAF suspended provider.

In accordance with Section 42 CFR 455.470, on June 9, 2023, AHCCCS sought approval from the Centers of Medicare and Medicaid Services (CMS) to implement a moratorium on the enrollment of Behavioral Health Outpatient Clinic, Integrated Clinic, Non-Emergency Medical Transportation, Community Service Agencies, and Behavioral Health Residential Facility providers. These categories are identified as “high risk” for fraud and therefore, the moratorium was requested to create a barrier to new providers of these types attempting to enter the AHCCCS network.

The moratorium included an exemption on a case-by-case basis to provide flexibility to resolve network gaps or provider abrasion while the agency remained diligent in stopping bad actors.

Exemption requests are considered, on a case-by-case basis, under any of the following circumstances:

1. Medically Underserved Service Area and access to care with review and approval by State Medicaid Agency,
2. Service expansion in support of a State Medicaid Agency initiative,
3. At the request of an AHCCCS contracted managed care plan to ensure that access to care standards (i.e., time and distance) are not out of compliance, or
4. Additional exemptions as appropriate and as needs are identified.

During the initial six-month moratorium (June 2023 - Dec. 2023), the agency received 148 exemption requests; 24% were approved and allowed to submit a provider enrollment application. On December 8, 2023, AHCCCS received CMS approval to extend the moratorium for another six months. It will expire on June 8, 2024.

Whether the moratorium will expire or be extended will depend on a variety of factors:

- As the expiration date nears, a possible flood of new provider applications, overwhelming staff and thereby creating backlogs that impact processing times for all provider types.
- Some fraud waste and abuse prevention system enhancements are still in progress.
- General public and behavioral health advocates response to possible extension.

As of April 19, 2024, 68% of the 242 moratorium exemption requests were denied; it is anticipated that these providers will reapply once the moratorium is lifted.

Lessons Learned, Next Steps

This past year has been one of learning and understanding not only for AHCCCS members, but the staff as well. Here are just some of the lessons learned, takeaways, and next steps.

Housing Insecurity as a Primary Driver of Member Exploitation

Our Quality of Care team interviewed members who were impacted by this issue and it was clear that housing is the main reason members were willing to participate in what we now know as a fraudulent process. The need for affordable housing outweighed any other concerns members had when accepting services from these fraudulent providers. In addition to developing more attainable and affordable housing, there is tremendous need for Recovery Housing to be added as an intervention in the housing continuum.

Recovery Housing provides access to short-term housing while pairing it with wrap-around services focused on supporting an individual in recovery. However, developing this as an intervention must also align with the federal [Substance Abuse and Mental Health Services Administration](#) best practices for Recovery Housing and identify potential funding sources for rent subsidies for a defined period of time while the member establishes steady employment.

Humanitarian Response

The State will eventually need to wind down this program. Options for consideration include:

- Consolidate and eventually decrease the total number of lodging locations.
- Transition from ride-sharing services to bus pass options. This will also allow for the nonprofit, Community Bridges Inc. (CBI), to work with those requiring lodging assistance to understand and learn to navigate the public transportation system once they transition out of state-provided lodging assistance.
- Work with the Arizona Department of Education's school-based programs to provide food for children.
- Ensure that victims maintain access to social services and supports through 2-1-1.

More Providers Needed on Tribal Lands

AHCCCS/DFSM recognizes the need for additional qualified providers on Arizona's Tribal Lands but has limited input on the expansion process. DFSM can work with Tribal Authorities if they require technical assistance in supporting new providers and clinics.

Reimbursement rates are being reviewed by AHCCCS/DFSM on an ongoing basis and the rate increases must be considered in the budget process. AHCCCS/DFSM, in collaboration with the rates team, is currently reviewing behavioral health rates.

Stopping the Flow of Funds: Provider Suspensions & Moratorium

In the initial meetings with law enforcement partners in the spring of 2023, the Attorney General's Medicaid Fraud Control Unit and the FBI asked AHCCCS to "stop the flow of funds to bad actors"- as the most urgent

action at that time. Since May of 2023, AHCCCS has suspended payments to 304 providers for credible allegations of fraud.

Current status	Number of Providers (since May 2023)
Payment suspension and open law enforcement case	284
Quality management terminations	79
Provider moratorium application denials	160
Rescinded suspensions	20
Suspensions upheld at state fair hearing	28

It is important to note, the [Current Providers Suspension List](#) does not contain every provider who has been suspended, only those who are currently suspended. Any provider who has resolved their suspension is removed from the list. Nine providers have been suspended since December 29, 2023.

Payment suspensions are temporary actions intended to protect public funds while a full investigation is ongoing. Accordingly, payment suspensions are rescinded when AHCCCS determines there is insufficient evidence of fraud, or resolved when either legal proceedings related to the alleged fraud are completed.

Providers under payment suspension may, at any time, elect to submit evidence to AHCCCS relating to their alleged fraud. AHCCCS' Office of Inspector General (OIG) reviews this evidence to determine if there continues to be sufficient evidence of fraud for the payment suspension to continue. When the OIG determines that a provider has sufficiently explained or refuted the alleged fraudulent conduct, AHCCCS then rescinds the suspension. Rescinding a payment suspension does not mean there was insufficient evidence for AHCCCS to have placed the payment suspension in the first place, but simply that there is not enough evidence for it to continue.

In cases where AHCCCS does not rescind a suspension, providers may exercise their right to have a State Fair Hearing before an Administrative Law Judge, who has the authority to recommend whether the suspension should be upheld or not.

AHCCCS OIG and Office of General Counsel (OGC) have refined their processes to investigate providers suspected of fraud, share information between OIG and law enforcement, and take available administrative actions against providers.

Criminal Charges & Indictments

While suspending providers, terminating providers, and recouping overpayments are actions within the authority of the State Medicaid agency, criminal charges and prosecution are the role of law enforcement.

These investigations are drawn out and can sometimes take years to conclude. The outcome of the law enforcement investigation is not always known to AHCCCS but several arrests and indictments have been published in press releases or covered by news outlets in the past year:

- 07/13/23: [Mesa woman agrees to forfeit homes, cars, jewelry in connection to AHCCCS fraud case](#)
- 08/07/23: [How 1 man is accused of fleecing AHCCCS of almost \\$200K by exploiting Indigenous people](#)
- 10/18/23: [Arizona AG reveals 4 new indictments in AHCCCS fraud scandal; \\$1.5M home, 8 cars seized](#)
- 11/02/23: [Attorney General Mayes Announces Indictment for Alleged Patient Brokering](#)
- 11/17/23: [Arizona couple accused of AHCCCS fraud by submitting \\$12M in claims](#)
- 12/06/23: [Attorney General Announces Grand Jury Indictments of 10 Individuals in Patient Brokering](#)
- 03/28/24: [Two Indicted for \\$9.4 Million Fraud Against AHCCCS's Program for Native Americans](#)

Provider Engagement: Enhanced Technical Assistance & Communication

The AHCCCS DFSM added [weekly, online training sessions](#) for Fee-for-Service providers. In 2023, DFSM hosted 295 training sessions about billing requirements. DFSM also provides one-on-one technical assistance to providers by request. Additionally, a variety of training resources are available to providers online including training presentations by subject, a Provider Training Video Library, Provider Denial Resolution Guide, and Claims Clues Newsletters.

Building on the successful tools implemented on the member side, AHCCCS is leveraging the same vendor partner, Accenture, and other tools to better engage with providers. As of April 22, 2024, AVA (AHCCCS Virtual Assistant), the chatbot on the AHCCCS website and AHCCCS Online portal, has expanded capabilities to answer common provider questions on enrollment, FFS claims and FFS prior authorization and transfer to a live agent during business hours.

In July, AHCCCS will launch AHCCCS Provider Connect, the ability to text and email providers or the credentialing representative at important enrollment points, including revalidation and license expiration.

Monthly Operations Analytical Review (MOAR):

AHCCCS strives to address the key health care goals of improving clinical experiences and outcomes; cost containment (including prevention of fraud, waste, and abuse); and optimization of operational efficiency and transparency through data and technology. AHCCCS identified an opportunity for a more structured and consistent approach to the collection, review, and distribution of mission critical operational data which includes timely and actionable analytical insights.

A new monthly review by AHCCCS leaders, termed the "MOAR" (Monthly Operations Analytics Review), includes a metrics portfolio shared and facilitated by a team of analysts specifically focused on a medical economic model. This model, common in the private sector, leans into reporting tools, identifies outliers and trends, analyzes consequential trends, and presents actionable insights to agency leadership. This model is expected to supplement and transform existing operational review data and enable improved insights, interpretation, and timely decision making.

Ongoing Detection Efforts

Ongoing Detection Efforts will be expanded to include a Medical Economics reporting unit. This unit will leverage medical and pharmacy claims, eligibility, member demographics, and medical utilization to track, measure, and analyze operational and financial metrics, on a monthly basis. Representatives from ODA will present an operational overview and findings to the AHCCCS leadership including the executive team on a monthly basis.

The Medical Economics reporting unit will be staffed with health care analysts specifically trained in medical economics. The primary function of the Medical Economics unit will be to continuously identify, develop, refine, and deliver a comprehensive operational overview of key performance indicators, data, and analysis.

Review of Paid Claims:

AHCCCS/DFSM has updated the billing requirements for behavioral health outpatient claims. The updated guidance is documented in the monthly Fee-for-Service communication titled "Claims Clues." To enforce the updated requirements, edits were placed in the system referred to as "Special Handling Cases." These special handling cases allow claims to be temporarily held to allow review of medical documentation.

The Office of Data Analytics (ODA) and DFSM have worked together to ensure that claims requiring medical documents are reviewed properly. By working together, DFSM and ODA have been able to identify issues and address them in a timely manner.

Glossary

ADHS	Arizona Department of Health Services
AGO	Attorney General's Office
AHCCCS	The Arizona Health Care Cost Containment System
AIHP	American Indian Health Program
APEP	AHCCCS Provider Enrollment Portal
AP-AO	Community Partner-Assistor Organizations
CBHSG	Covered Behavioral Health Services Guide
DFSM	AHCCCS Division of Fee for Service Management
FFS	Fee-for-Service
MOAR	Monthly Operations Analytical Review
ODA	Office of Data Analytics
OGC	Office of General Counsel
OIG	Office of the Inspector General