

News Release



Controller of the State of California - Kathleen Connell

300 Capitol Mall, Suite 1850
Sacramento, California 95814

Contact: Tom Marshall, Susie Wong (916) 445-2636

FOR IMMEDIATE RELEASE

CALIFORNIA STATE CONTROLLER CONNELL CALLS FOR RULE CHANGES FOR AUDITING MEDICAID/MEDI-CAL

Connell Says Changes Needed to Guard System Against Overbilling

WASHINGTON, D.C. (July 18, 2000) --- California State Controller Kathleen Connell calls on Congress to change rules that hinder her ability to audit the state's massive Medi-Cal program. Medi-Cal is California's version of Medicaid, the taxpayer-funded medical program for poor people. In California, the Medi-Cal program is funded at \$22.5 billion, of which \$13.2 billion is supported by the federal government.

In 1996, State Controller Connell launched an aggressive audit program of Medi-Cal. Those audits have led to the recovery of hundreds of millions of dollars overbilled by Medi-Cal providers.

Connell told the House Commerce Committee's Subcommittee on Oversight and Investigations, "Recent federal court rulings have undermined my ability to carry out that critical oversight role. My ability to conduct audits has been limited."

The court rulings are based on Medicaid rules which require the designation of a single state agency to administer the Medi-Cal program and prohibits any other state agency from exercising administrative discretion in any area, including the prevention and detection of fraud. In California, that agency is the Department of Health Services. However, under California law the State Controller has an independent duty to determine the legality and propriety of payments from the state treasury, not the Department of Health Services. Other states are in a similar situation.

As State Controller Connell notes, "I am currently prohibited from withholding payments to suspected fraudulent providers or referring them to the Department of Justice for criminal investigation and prosecution."

-more-

Connell's audits have uncovered questionable billing practices by physicians, laboratories, pharmacies, and providers of durable medical equipment.

"Total savings from my efforts are over \$547 million, more than one-half of which is federal funding. In addition, I referred 238 cases to the Medi-Cal Control Unit of the California Department of Justice for criminal investigation and prosecution," Connell said. Partnering with the Federal Bureau of Investigation, the U.S. Attorney and state Department of Justice has led to criminal investigations and prosecution.

State Controller Connell testified that the federal rules being enforced by the courts now hamper the continuation of this crackdown. This occurs, Connell notes, at a time when fraudulent providers are moving into new schemes including:

- Using false ID's of retired health care providers;
- Stealing beneficiary Medi-Cal information from hospital records and using it to bill for services not provided;
- Performing unnecessary and invasive procedures like drawing blood;
- Billing Medi-Cal for tests never conducted.

Connell urged Congress to amend the single state agency law to recognize the constitutional role of a state's elected officials. This would allow the State Controller to fulfill her responsibilities of identifying fraudulent trends, initiating audits and withholding payments in cases referred for criminal prosecution.

"This action on your part will send a message to those criminals who may consider committing Medicaid fraud, and undermining the program goals, that you are serious about prevention, detection and prosecution and that they proceed at their own peril," State Controller Connell summarized.

#

For more information on the State Controller's Office, please visit our Web site at <http://www.sco.ca.gov>