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## HOUSE RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT A MANAGEMENT AND FINANCIAL  
AUDIT OF THE STATE'S MEDICAID HEALTH CARE INSURANCE  
CONTRACTORS ON A BIENNIAL BASIS.

1           WHEREAS, the effective oversight of managed care  
2 organizations that are under contract with the Department of  
3 Human Services to provide managed care health insurance plans  
4 under the State's Medicaid Managed Care Program is essential to  
5 ensure the proper use of public funds and the delivery of  
6 quality health care services to Medicaid beneficiaries; and  
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8           WHEREAS, the Auditor plays a critical role in providing  
9 this oversight by conducting audits to assess the performance,  
10 compliance, and financial integrity of entities that receive  
11 state funds; and  
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13           WHEREAS, Medicaid is a significant component of the State's  
14 budget and ensuring the integrity and efficiency of Medicaid  
15 health care insurance contractors is crucial for the  
16 sustainability of the State's Medicaid Managed Care Program; and  
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18           WHEREAS, given the complexity and scale of Medicaid  
19 operations, it is imperative to have a robust audit mechanism to  
20 identify and address any issues related to financial management,  
21 service delivery, and compliance with federal and state  
22 regulations; and  
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24           WHEREAS, the Medicaid Program Integrity Manual, published  
25 by the federal Centers for Medicare and Medicaid Services (CMS),  
26 outlines the importance of audits in identifying and addressing  
27 Medicaid fraud, waste, and abuse, and emphasizes the need for  
28 proactive project development and collaboration between state  
29 agencies and auditors to ensure program integrity; and  
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31           WHEREAS, a report by the United States Government  
32 Accountability Office published on September 21, 2023, also  
33 highlights the critical role of state auditors in Medicaid  
34 oversight; found that state auditors identified an average of  
35 over three hundred Medicaid audit findings per year, including



1 overpayments and payments to ineligible providers; and noted  
2 that nearly sixty percent of Medicaid audit findings were  
3 repeated from the prior year, indicating the need for more  
4 effective corrective actions; and

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6 WHEREAS, specific incidents in the State also highlight the  
7 need for rigorous audits of its Medicaid health care insurance  
8 contractors. For example, the Department of Human Services  
9 identified multiple cases of Medicaid overpayments due to  
10 provider ineligibility, noncovered services, and lack of prior  
11 authorization in 2021 and 2022; and

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13 WHEREAS, a 2023 CMS focused program integrity review found  
14 that the State's Medicaid Managed Care Program had several areas  
15 needing improvement in terms of fraud, waste, and abuse  
16 prevention, identifying issues such as inadequate oversight of  
17 managed care organizations; insufficient and ineffective  
18 mechanisms to detect and prevent fraud within managed care  
19 payments, including issues with incorrect fee-for-service  
20 payments and inaccurate state payments to managed care  
21 organizations; and lack of coordination between state agencies  
22 and managed care organizations, leading to inefficiencies and  
23 potential financial losses; and

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25 WHEREAS, although a memorandum of understanding between the  
26 Department of Human Services and Department of Health was  
27 established to improve coordination and alignment, challenges  
28 remain; and

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30 WHEREAS, the findings of the 2023 CMS focused program  
31 integrity review report necessitate a state audit to address the  
32 identified issues and ensure the integrity and efficiency of the  
33 State's Medicaid Managed Care Program; and

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35 WHEREAS, the Auditor has had legal authority since 1975 to  
36 audit Medicaid health care insurance contractors but has never  
37 exercised this authority, making these audits long overdue; and

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39 WHEREAS, auditing the State's Medicaid health care  
40 insurance contractors will promote transparency; ensure Medicaid  
41 funds are used appropriately and for their intended purpose;  
42 ensure Hawaii's Medicaid beneficiaries are receiving the



1 requisite quality of care; ensure compliance with all applicable  
2 state and federal laws, regulations, and contractual  
3 obligations; and improve the efficacy and effectiveness of  
4 Medicaid health care insurance contractors, leading to better  
5 health care outcomes for beneficiaries; now, therefore,

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7 BE IT RESOLVED by the House of Representatives of the  
8 Thirty-third Legislature of the State of Hawaii, Regular Session  
9 of 2025, that the Auditor is requested to conduct a management  
10 and financial audit of the State's Medicaid health care  
11 insurance contractors on a biennial basis; provided that the  
12 first audit is requested to be conducted within six months of  
13 July 1, 2025; and

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15 BE IT FURTHER RESOLVED that all audits are requested to:

- 16  
17 (1) Assess the financial integrity, performance, and  
18 compliance with all applicable federal and state laws,  
19 regulations, and contractual obligations of each  
20 Medicaid health care insurance contractor; and  
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22 (2) Review documents, including but not limited to any  
23 books, records, or other evidence, related to the  
24 financial and operational activities of each Medicaid  
25 health care insurance contractor; and  
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27 BE IT FURTHER RESOLVED that all Medicaid health care  
28 insurance contractors are requested to cooperate with and assist  
29 the Auditor as needed in conducting the audit, including  
30 promptly providing all records, documents, and any other  
31 information requested by the Auditor during the audit; and  
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33 BE IT FURTHER RESOLVED that the Auditor is requested to  
34 submit a report of findings and recommendations to the Governor,  
35 Legislature, and Director of Human Services no later than twenty  
36 days prior to the convening of the Regular Session of 2027, and  
37 every Regular Session thereafter following the year in which an  
38 audit is conducted; and  
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40 BE IT FURTHER RESOLVED that the Auditor may conduct  
41 additional audits as deemed necessary based on risk assessments



1 or at the request of the Governor, Legislature, or Director of  
2 Human Services; and

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4 BE IT FURTHER RESOLVED that, for purposes of this  
5 Resolution, "Medicaid health care insurance contractors" means  
6 managed care organizations that are under contract with the  
7 Department of Human Services to provide managed care health  
8 insurance plans under the State's Medicaid Managed Care Program;  
9 and

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11 BE IT FURTHER RESOLVED that certified copies of this  
12 Resolution be transmitted to the Governor, Speaker of the House  
13 of Representatives, President of the Senate, Auditor, and  
14 Director of Human Services.

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OFFERED BY:

Amy Penuso

MAR 07 2025

