North Carolina DHB/OCPI-Member Compliance
Beneficiary Program Integrity
FAQ Operational Guidance rev. 7/28/2025

Purpose

The Division of Health Benefits (DHB), Office of Compliance and Program Integrity (OCPI), has received updated guidance from the Centers for Medicare & Medicaid Services (CMS) that impacts North Carolina's efforts to address Medicaid beneficiary fraud, waste, and abuse (FWA). In response to recent updates and the rescission of CMS's State Medicaid Director letter (SMD 24-005), a Dear County Director Letter (DCDL) dated July 25, 2025, is being posted as a follow-up to the initial DCDL posted on April 15, 2025. DCDLs can be accessed here.

As continued support to County Directors and agency PI staff, this Frequently Asked Questions (FAQ) document has been updated and will continually be updated as we develop the work details around beneficiary FWA. This document provides the necessary information to address inquiries related to the issuance of DCDLs and any associated DHB guidance.

While each county agency makes adjustments to internal protocols for managing Medicaid fraud claims and investigations, county staff questions should be routed through County Directors to submit agency questions via email to medicaid.countyescalations@dhhs.nc.gov. Submission via this email address will allow questions to be routed timely to OCPI via our ServiceNow portal and submitters will be provided with a Case # to track updates for a response. Questions will then be compiled and responses shared with all NC County DSS Directors.

Operational Guidance

The directives and guidance provided in this document pertain to the Medicaid program only. Additionally, this guidance is in regard to Member/Beneficiary fraud and abuse claims, not Provider fraud or abuse.

Important: Please carefully review the provided guidance as directives and effective dates may vary based on the type of Medicaid claim (IPV/IHE) and NCFAST release dates.

REFERRALS AND INVESTIGATIONS

1. **Investigations**: Counties are advised to continue to register new fraud/abuse referrals in NCFAST, whether a county discovery or citizen's report, and should continue investigative activities for new and pending referrals.
    a. Reminder: Effective April 15, 2025, State PI staff are keying the PI Investigation Case (PIIC) in NCFAST for State referrals. This action will reduce efforts on County PI staff. A requirement remains in place for the PI Work Queue to be properly and timely worked to ensure State referrals are assigned to County PI Investigators within the required 7-calendar day period.
2. **New Claim Establishment**: Counties are advised that the cessation has been partially lifted for establishing or assigning Medicaid overpayments, as directed below.
    a. **IPV CLAIMS**: Effective **August 15, 2025**, counties are advised to resume the establishment of claims for fraud/abuse allegations that have been prosecuted/adjudicated in court. This directive is applicable to pending and new investigation cases.
        i. As of **August 15, 2025**, NCFAST functionality has been restored for IPV claim creation and maintenance.
        ii. Counties are instructed to continue to follow documented Medicaid policy, including evaluating the County's Fraud Plan/Claims Management Plan when assessing the potential for referrals for prosecution.
        iii. Product Liability Cases (PLC) can be created/established in NCFAST for IPV fraud/abuse claims, as determined appropriate by the County DSS.

b. **IHE CLAIMS**: The cessation for administrative claims, that are not prosecuted/adjudicated in court, remains in place until notified further. Therefore, the establishment of IHE administrative claims is not permitted.

   i. NCFAST functionality has not been restored for IHE claim creation and maintenance. System functionality will remain disabled until advised further by DHB/OCPI.

   ii. For Long-Term Care (LTC) cases referred to the county's PI unit for understated Patient Monthly Liability (PML) or LTC cases that cannot be adjusted by increasing future PMLs, please contact your county's assigned PI Coordinator via the Medicaid.PI.Questions@dhhs.nc.gov email address for additional guidance and direction.

   iii. Counties are not permitted to create/establish PLCs in NCFAST for IHE administrative claims. See 3. b. below for instruction on resolution of substantiated allegations that would result in an IHE claim.

3. **Investigation Findings**:

   a. **Unsubstantiated Allegations**: Counties are advised to continue to close PIICs as ***"Unsubstantiated"*** when the unsubstantiated determination is appropriate based on the county's investigation.

   b. **IHE Administrative**: Until advised further, when suspected fraud is substantiated during the county's investigation, but…

      i. review of the County's Fraud Plan/Claims Management Plan finds referral for prosecution is not appropriate…*or*…

      ii. the County District Attorney (DA) refuses prosecution of a referred case…

      …counties are advised to resolve the PIIC using a new Finding code ***"Substantiated-No Claim"***. The new Finding code will be live in NCFAST effective **August 22, 2025**. In the interim, counties should pend substantiated PIICs for resolution using the new code once the ***"Substantiated-No Claim"*** finding code is available in NCFAST. This directive is applicable to new and pending investigations.

      The new Finding code validates that the county substantiated the allegations but determined prosecution was not warranted according to the County's Fraud Plan/Claims Management Plan *or* that the case was referred for prosecution, but prosecution was refused by the DA. For such substantiated allegations where DHB/OCPI will not permit the counties to establish an IHE claim, counties are to:

      - Input the Overpayment Period on the PIIC.
      - Resolve the PIIC using the ***"Substantiated-No Claim"*** Finding code and in the Comment field, input the below applicable reason as to why the case resulted in an IHE, as determined by the case details.
        - Does not meet County's Fraud Plan. *(or)*
        - County referred case for prosecution; however, DA refused prosecution due to xxxxxxxxxxxx. *(or)*
        - Other Reason – County PI staff should indicate the reason why prosecution not pursued or why the case results in an IHE, if one of the reasons noted above is not appropriate.
      - Add the below documentation/narrative to the PIIC in NCFAST to further support why the case was not referred for prosecution and/or why an IHE claim is not being established.

NCFAST Documentation – Allegation Substantiated but No IHE Claim Established:

"The county's investigation into the fraud/abuse allegation has been substantiated with an overpayment period of xx/xx/xxxx-xx/xx/xxxx and overpayment amount of $xxx.xx. However, the case <does not meet the stated requirements in the County's Fraud Plan to refer for prosecution> or <the County District Attorney refused prosecution due to xxxxxxxxxx>.

DHB/OCPI has issued directives temporarily prohibiting the establishment of administrative IHE claims based on CMS guidance that is currently under DHB review for process development. Therefore, the PIIC is being resolved with a finding code of Substantiated-No Claim, as directed by DHB/OCPI."

The above approach, for substantiated allegations that would normally result in an IHE Claim, will continue until counties are advised differently by DHB/OCPI and/or when IHE administrative claim establishment resumes.

c. **IPV Court Prosecuted/Adjudicated**: Effective **August 15, 2025**, counties are advised to resume the establishment of Medicaid fraud/abuse claims that have been prosecuted/adjudicated in court. As such, counties will utilize the Finding code ***"Substantiated-Claims and IPV"*** to create a PLC and input appropriate Legal Details applicable to the prosecution of the case.

4. **Existing IHE Claims**:
   a. A review assessment for existing, open IHE Claims is ongoing. OCPI will provide an update to counties upon completion of the IHE claims assessment. Until complete, IHE claim maintenance and updates will be restricted. For potential maintenance or update requests, please consult with your county's assigned PI Coordinator via the Medicaid.PI.Questions@dhhs.nc.gov email address.

MEDICAID PROFILE REQUESTS

1. Effective immediately, the Medicaid profile process will resume. Using the DHB-7063, counties may request Medicaid profiles that are required for the Medicaid fraud/abuse investigative process and/or claim overpayment computation. For requests previously submitted and held by OCPI, OCPI staff will reach out to confirm the requests are still required and will proceed with profile requests that are required by counties.

PROSECUTION

1. Effective immediately, prosecution efforts may resume for new and pending investigations. Counties are instructed to follow documented Medicaid policy, including evaluating the County's Fraud Plan/Claims Management Plan when assessing the potential for referrals for prosecution.
2. For pending cases previously referred for prosecution, claim resolution may resume following Medicaid policy and as required for the court decision/judgment that was rendered.
3. For existing IPV claims, counties are instructed to follow documented Medicaid policy for claim maintenance and collection efforts. See the **Collections and Refunds** section of this document for additional guidance.
4. For prosecuted cases, refer to the **Referrals and Investigations** section of this document and follow guidance in **2. New Claim Establishment** and **3. Investigation Findings** for IPV claim establishment and resolution.

COLLECTIONS AND REFUNDS

1. For IHE claims, NCFAST payment functionality remains disabled to prevent counties from applying payments to IHE Medicaid claims. Counties should refer to 5. and 6. below for claim payments held/received for existing IHE claims.
2. For IPV claims, NCFAST payment functionality will be restored effective **August 15, 2025**, to allow counties to apply payments to IPV Medicaid claims. For IPV claims only, effective **August 15th**, counties are instructed to apply claim payments previously received and held as well as apply future claim payments received for IPV claims.
3. As of **August 11, 2025**, NCFAST will restore system processes for DOR/NCEL interceptions for IPV claims only. As a reminder, IHE payment functionality remains disabled.
4. Please refer to the revised **IHE_NC Medicaid Claim Refund Notice** (with a revision date of July 28, 2025) that has been provided with this guidance. The notice and/or narrative in the notice should be utilized as referenced below in the **Collections and Refunds** sections 5. and 6. The notice has been created for counties to print on agency letterhead, when needed.
5. For new and future agency collections, counties are advised of the following:
    a. IHE CLAIMS
        i. In-Person: Do not accept payment. Provide the debtor the narrative in the IHE_NC Medicaid Claim Refund Notice made available to counties.
        ii. Phone: Do not accept payment. Provide the debtor the narrative in the IHE_NC Medicaid Claim Refund Notice made available to Counties.
        iii. Mail/Drop-Box: Return payment. Provide the debtor the IHE_NC Medicaid Claim Refund Notice made available to counties.
    b. IPV CLAIMS
        i. Direct Pay via In-Person/Mail/Drop-Box/Phone: Accept, deposit, and apply payment in NCFAST. NCFAST payment functionality will be restored as of **August 15, 2025**.
        ii. Clerk of Court: Accept, deposit, and apply payment in NCFAST. NCFAST payment functionality will be restored as of **August 15, 2025**.
6. For payments the county has received and retained but has not applied in NCFAST (since the initial 12/11/2024 DCDL), counties are advised of the following:
    a. IHE CLAIMS
        i. Return/refund payments received. Provide the debtor the IHE_NC Medicaid Claim Refund Notice made available to counties.
    b. IPV CLAIMS
        i. Deposit and apply payments in NCFAST. NCFAST payment functionality will be restored as of **August 15, 2025**.
7. For potential refunds of payments already applied within NCFAST, collection reviews have been initiated and/or conducted by DHB/OCPI with the current status noted below.
    a. As of May 1, 2025, CMS rescinded the December 2024 State Medicaid Director letter (SMD 24-005); therefore, the collection review for IHE payments applied within NCFAST has been suspended and no further action is required.
    b. A collection review has been completed for claims identified with Overpayment Periods partially or fully within PHE protected months. State PI staff have reached out to impacted counties to initiate required refund actions and will continue to work with counties to execute required refunds.

VOLUNTARY REPAYMENT AGREEMENT (VRA)

1. DHB/OCPI has coordinated with NCFAST EPI team to ensure previously active VRAs are not negatively impacted or voided, due to unrecorded payments during the cessation period. As of **August 11, 2025**, active VRAs will be updated with a next future payment due date in the month of September 2025.

CLAIM MAINTENANCE

1. Counties should continue to submit requests to State PI staff (OCPI) for claim closure or claim updates via the Medicaid.PI.Questions@dhhs.nc.gov email address. State PI staff will review the county's requests and determine, based on the type of claim and request, what actions can be taken. State PI staff will update counties via email.

BENEFICIARY/DEBTOR NOTIFICATION

1. Effective **August 4, 2025**, DHB will issue notices to all debtors with open IPV claims.
    a. The notification will advise debtors of the current IPV claim status, overpayment period, overpayment balance, and that payment should be submitted upon receipt of the notice.
    b. The IPV notices will be issued outside of NCFAST for expediency; however, OCPI will provide counties with digital copies of the notices for their county within 2-3 weeks of mailing.
    c. OCPI will provide instructions for counties to upload the notice to the NCFAST PLC for future reference. Example notice verbiage has been provided below.

NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
Division of Health Benefits

NC MEDICAID CLAIM STATUS

Claim Balance: $###.##
Claim Period: ##/##/#### -##/##/####

The North Carolina Department of Health and Human Services (NCDHHS), Division of Health Benefits has recently conducted a review of the NC Medicaid Program Integrity claim determination and recoupment processes. NCDHHS is issuing this notice in regard to an NC Medicaid fraud/abuse claim previously established by your local County Department of Social Services (DSS) as determined through court prosecution.

As a result of court ordered restitution and our internal Program Integrity process review, NCDHHS finds your household owes a balance on the NC Medicaid claim that was established due to an intentional program violation (IPV). The outstanding balance on your IPV claim and the associated claim period(s) are noted above for your reference. Due to the previously mentioned Program Integrity process review, please be advised that payments submitted since January 2025 and retained by the County DSS may not be reflective in the above claim balance as payments could not be applied during the review process; however, the County DSS is in process of applying these payments to be reflective on your account.

Upon receipt of this notice, submit payment to your local County DSS or Clerk of Court, as directed in your court order. If you have not made arrangements for full repayment, contact the Program Integrity Investigator at the County DSS to set up a voluntary repayment agreement. Failure to submit payment or make payment arrangements may result in civil court action, criminal court action, or North Carolina income tax refund/lottery winning interception.

Should you have any questions about this notice, your NC Medicaid Program Integrity claim, or if you would like to establish payment arrangements, please contact your County Program Integrity Office noted in the header of this notice and reference the Case Identifier that is provided.

2. Upon completion of the IHE review assessment, noted in the **Referrals and Investigations** and **4. Existing IHE Claims** section of this document, DHB will issue notification to all IHE debtors. Notification will provide an update of the status of the debtor's NC Medicaid claim and provide directives, as determined necessary.
3. Counties should refrain from issuing non-State approved notifications and should alert DHB/OCPI of any immediate notification needs.

Note regarding the 7/28/2025 Update: County DSS Program Integrity staff should carefully review and continually reference the provided guidance as directives and effective dates may vary based on the type of Medicaid claim (IPV vs. IHE) and the noted NCFAST release dates. As noted in this guidance, partial system functionality and processes are being restored in phases throughout August 2025. Should NCFAST/OCPI experience delays based on anticipated release dates, OCPI will communicate any delays or further updates in a future notification.