

STATE OF MARYLAND



**OFFICE OF THE INSPECTOR GENERAL FOR HEALTH
Fiscal Year 2025**

**Pursuant to
Md. Code Ann., Health-General § 2-506**

The Office of the Inspector General for Health (OIGH) was created as an independent State agency effective July 1, 2022. The OIGH is charged with investigating fraud, waste, and abuse of Department of Health funds and behavior in the Department of Health that threatens public safety or demonstrates negligence, incompetence, or malfeasance.

Since its creation, OIGH has faced challenges in properly fulfilling its mission due to inadequate staffing and outdated technological resources. Although the agency was created in 2022, an Inspector General was not appointed at that time. Shelly Marie Martin became the Inspector General on July 1, 2025, three years after the agency was established.

OIGH Structure

OIGH is composed of two groups of investigators and auditors. First, the Medicaid Program Integrity Division seeks to detect and obtain repayment of improper payments made by the Medicaid program. Maryland Medicaid is a federal and state partnership that provides essential healthcare coverage to over 1.7 million Maryland citizens through a network of more than 80,000 health care providers and nine managed care organizations. The federal Centers for Medicare and Medicaid Services estimates that in 2024, the rate of improper payments by the Medicaid program averaged 5.09 percent.¹ The Maryland Medicaid program had a budget of about \$17.5 billion, meaning an estimated \$865,300,000 was lost to improper payments.

To attempt to staunch the flow of improper payments, the State staffed the OIGH Program Integrity Division with 35 investigators, auditors, and other staff in FY 2025. This group had six vacancies during most of 2025, significantly hindering its ability to investigate and pursue cases.

The OIGH External Audit Division consists of 11 auditors who are responsible for reviewing the expenditure of over \$550 million in Maryland Department of Health grants to Maryland's 24 local health departments and 25 private providers pursuant to COMAR 10.04.03.04. Entities are reviewed at least once every four years using a risk-based schedule that ensures that entities with higher potential risk are reviewed more often. This group had two vacancies throughout most of FY 2025.

Although the OIGH is statutorily charged with investigating behaviors in the Department of Health that threaten public safety or demonstrate negligence, incompetence, or malfeasance, the OIGH has no staff available to fulfill this important function. Its Medicaid Program Integrity Division staff are paid, in part, with federal Medicaid grant funds and are not available to take on additional tasks. OIGH External Audit Division staff are engaged full-time in audits required by Maryland law and are not available to take on additional tasks.

When OIGH was created as an independent agency, the staff who could have been assigned to investigations of misconduct within the Department of Health were transferred to the Department of Health, leaving no OIGH staff to fulfill this important, independent oversight

¹ <https://www.cms.gov/newsroom/fact-sheets/fiscal-year-2024-improper-payments-fact-sheet>

function. Until OIGH is given to staff who are available for investigations into the Department of Health, it will continue to be unable to fulfill this portion of its statutory charge.

2025 Challenges – Staffing Shortages

Staffing vacancies due to budget cuts were a persistent problem during fiscal year 2025 and are expected to continue to hinder OIGH's performance for the foreseeable future. In FY 2025, the OIGH was to be staffed with forty-seven auditors, investigators, and other staff. Nine of those positions – nineteen percent – were vacant for much of the year. OIGH was in the process of filling eight of these vacancies when a State-wide effort to obtain mid-year budget savings was announced. OIGH's budget consists of ninety-eight percent salaries. Only two percent of its funds are spent on administrative costs (a third of which is paid to the Department of Information Technology for basic technology services). Because OIGH has no administrative costs that can be cut, any and all required budget savings must come from personnel. For FY 2025, OIGH was instructed to halt recruitment efforts to fill its vacancies in order to meet the required budget targets through unpaid salaries. This forced hiring hiatus meant that these eight positions were vacant in June 2025, when a State-wide hiring freeze went into effect.

OIGH staffing shortages continued in FY 2026 and are expected to impact FY 2027 performance as well. Because it is a revenue-generating agency, OIGH was granted an exemption from the hiring freeze and is in the process of filling its existing vacancies. This will not, however, result in full staffing at the original budgeted FY 2025 levels. Two OIGH employees chose to participate in the Voluntary Separation Program. OIGH proposed that rather than eliminate these positions, they be left temporarily unfilled to recover buyout payments and then be reclassified and refilled as entry level positions. This would achieve the goal of receiving front-end salary savings but allow the OIGH to maintain its current number of investigations. This proposal was not accepted, and the two positions were eliminated. OIGH was also informed that two additional positions would be recommended for elimination in the FY 2027 budget. These cuts will leave the OIGH permanently down four positions, eight and half percent of its workforce.

OIGH is a revenue-generating agency. In FY 2025, it identified more than double the amount of its budget for recovery. In FY 2025, that amount rose to more than four times its budget in identified recoveries. Persistent vacancies and position cuts will directly and adversely impact the number of investigations the OIGH can complete and result in lower recoveries in future years. All four of the positions that were or will be eliminated were paid, in part, through federal grant funds, resulting in minimal savings to the State – savings that will be outpaced many times over by a reduction in future recoveries. With a total budget of only \$6 million, the OIGH constitutes an infinitesimally small part of the State budget, and the impact of keeping eight positions vacant or eliminating four positions is less than a rounding error in the overall State budget. But for a forty-seven-person agency, the impact of a nineteen percent vacancy rate and eight and half percent reduction in force is a substantial hurdle to fulfilling its mission and will result in lower recoveries in future years.

It is counterintuitive and counterproductive to attempt to “save” money in this way. But so long as required budget savings are demanded from each agency in proportion to their overall share of the budget without reference to the individual agency’s circumstances, OIGH will continue to face delays in filling vacancies or position reductions, as there is no other place else for OIGH to reduce expenses.

Fiscal Year 2025 Performance and Recommendations

In fiscal year 2025, OIGH received 741 referrals alleging misuse of Debarment of Health funds or other type of misconduct. OIGH conducted 485 investigations of Medicaid providers alleged to have submitted improper claims and identified \$8 million for recovery. OIGH also conducted 295 investigations of people alleged to have improperly obtained Medicaid benefits and identified \$2 million for recovery. The OIGH External Audit Division reviewed eighteen local health departments or grantees, identifying \$16.7 million for recovery. The Department of Health, not OIGH, handles recoveries of funds and has historically forgiven portions of the overpayments identified by OIGH.

Thirty-seven cases of suspected fraud by Medicaid providers were referred to the Office of the Attorney General, Medicaid Fraud and Vulnerable Victims Unit for civil or criminal prosecution. Details of those investigations are confidential. The Office of the Attorney General accepted twenty-seven cases for investigation and declined ten, which may include cases referred in prior years. It entered into one civil settlement in 2025, securing \$50,597.61 from a provider who billed for the services of an employee who was not licensed.

Thirty-eight cases of people fraudulently receiving Medicaid benefits were referred to local State’s attorney’s offices for prosecution. Eight were accepted for investigation, but no results are yet available for those cases.

The Program Integrity Division also works closely with the nine managed care organizations to identify fraud, waste and abuse within each network. Meetings are held on a quarterly basis to discuss pending investigations, analyze fraud trends, and conduct training. During FY25, the managed care organizations initiated 639 investigations identifying \$1,306,719.08 for recovery and referred fourteen cases to the Office of the Attorney General, Medicaid Fraud and Vulnerable Victims Unit for possible civil or criminal action.

In addition to adequate staffing, a number of statutory and regulatory changes are needed for OIGH to more efficiently and effectively prevent, investigate, and pursue the misuse of Department of Health funds:

- OIGH is not allowed to perform statistical extrapolations of overpayments. This common tool is used by the federal government, private instance carriers, and other State Medicaid programs to more holistically address improper payments in the Medicaid program. The Managed Care Organizations that provide coverage for most of Maryland's Medicaid beneficiaries are similarly prohibited from extrapolating during their investigations into improper payments. The use of standard extrapolation techniques could result in tens of millions of dollars in additional recoverees each year.
- It is unclear how OIGH's authority applies to third-party payors or other instances in which the person responsible for the improper expenditure of State funds does not have a contract or other agreement with the Department of Health.
- OIGH has limited authority to impose civil monetary penalties. That authority is limited to the amount of claims submitted and is in lieu of, not in addition to, recovering the amount of the claim. The civil monetary penalty authority may not apply at all in certain contexts. The existing authority provides no real deterrent to a person improperly seeking money from the Department of Health and must be strengthened.
- There is no designated prosecutorial entity to handle cases of individuals who fraudulently receive Medicaid benefits. The Office of the Attorney General and many local State's Attorney's Office refuse to accept these cases for prosecution, leaving no viable forum for criminal prosecution regardless of how egregious the fraud.

OIGH intends to submit a package of regulatory reforms to the Joint Committee on Administrative, Executive, and Legislative Review in fiscal year 2026 and to propose statutory changes in the 2027 session of the General Assembly to address these and other issues.

Fiscal Year 2026 Initiatives

OIGH is actively analyzing how to improve results given the staffing and technological limitations that it faces. To that end, OIGH has tasked two senior Program Integrity staff to focus on identifying strategic weaknesses in the Medicaid program, recovering improper payments made to providers who are exploiting those loopholes, and working with the Department of Health to strengthen procedures to prevent improper payments from being made. OIGH is optimistic that the results of this effort will recover or prevent millions in improper payments over the coming years.

OIGH is also working with the Department of Health to replace outdated and obsolete technology with modern solutions that will enhance OIGH's capability for data surveillance, pattern identification, and early detection of emerging fraud schemes. The agencies are also working tougher to build OCR and AI tools that will allow OIGH to work more efficiently and effectively, increasing its capacity to complete investigations. OIGH is optimistic that these improvements will double or triple the amount of overpayments it is able to identify. Given the time it takes to build, test, and implement these tools, financial results may not be seen until fiscal year 2027.

The Office of the Inspector General for Health is committed to providing objective oversight to promote integrity of the State's Medicaid program as well as accountability for the expenditure of health department funds. OIGH will continue to look for ways to improve its own operations and leverage those improvements into benefits for the State and its citizens.



Shelly Marie Martin
Inspector General for Health