



DEPARTMENT OF HEALTH AND HUMAN SERVICES

## OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



June 4, 2026

Anne E. Lopez  
Attorney General  
Department of the Attorney General  
425 Queen Street  
Honolulu, HI 96813

Landon M.M. Murata  
Director, Medicaid Fraud Control Unit  
Department of the Attorney General  
425 Queen Street  
Honolulu, HI 96813

Dear Attorney General Lopez and Director Murata:

American taxpayers provide nearly half a billion dollars every year to State governments to fund state Medicaid Fraud Control Units (MFCUs or Units), which are obligated by Federal law to use that money to effectively fight Medicaid fraud and protect patients from abuse and neglect. Hawaii receives approximately \$3 million per year from American taxpayers for these same purposes.

Given this significant investment, American taxpayers rightly expect the Hawaii Medicaid Fraud Control Unit to comply with Federal law and use those millions of Federal dollars to effectively fight Medicaid fraud and protect patients in Hawaii from abuse and neglect. But Hawaii has fallen short of this expectation—and legal requirement—for many years.

For many years, the Department of Health and Human Services (HHS), Office of Inspector General (OIG) has tried to help the Hawaii MFCU improve its effectiveness. For example, OIG has conducted three onsite reviews of your Unit since 2014 and has made various recommendations to help your Unit effectively carry out its statutory fraud-fighting functions and responsibilities. While the Hawaii MFCU took action on these recommendations, it has been unable to sustain effective performance.

But these collaborative efforts have not produced the necessary results, and indeed the Hawaii MFCU's performance has gotten significantly worse in recent years. Bafflingly, between 2022 and 2025, your Unit did not obtain a single conviction for Medicaid fraud. Even worse, it did not even obtain an indictment. *Not a single Medicaid fraud indictment or conviction*, despite receiving approximately 12 million Federal tax dollars to fight Medicaid fraud during that period.

Enough is enough. As explained below, the Hawaii MFCU has demonstrated that it is ineffective in fighting Medicaid fraud and has failed to comply with the terms and conditions of its MFCU grant award. OIG therefore cannot certify that your Unit has shown that it is effectively carrying out its statutory fraud-fighting responsibilities and will not make further payments to your Unit.

Via this letter, OIG is denying the Hawaii MFCU recertification request submitted on April 2, 2026. This letter serves as written notice and explanation of OIG's findings on which the denial is based (42 CFR § 1007.17(d)). In sum, the Hawaii MFCU for many years has not effectively carried out, and is not currently effectively carrying out, its statutory fraud-fighting functions and requirements.

### **Statutory and Regulatory Background**

The Social Security Act (SSA) requires each State to demonstrate that it operates a MFCU that effectively carries out its statutory functions and responsibilities (SSA §§ 1902(a)(61) and 1903(q)). OIG, through delegations from the Secretary of Health and Human Services, is responsible for annually recertifying and funding each Unit (SSA §§ 1903(a)(6), (b)(3), and (q); 44 Fed. Reg. 47809, 47811 (Aug. 15, 1979)). To continue receiving Federal funding, a Unit must be certified. Under SSA §§ 1903(a)(6) and (q) and 42 CFR § 1007.19(d)(1), Federal funding is allowable only if a Unit has been certified and recertified annually by OIG.

OIG may approve or deny a Unit's annual recertification application and must provide written explanation for denials (42 CFR § 1007.17(d)(2)). When making recertification determinations, OIG evaluates whether the Unit has demonstrated that it effectively carries out the functions and requirements described in SSA § 1903(q), as implemented by 42 CFR part 1007. In making these determinations, OIG reviews the information described in 42 CFR §§ 1007.17(a) and (b) and considers the factors in 42 CFR § 1007.17(c).

### **Basis for Denying Recertification**

OIG is denying recertification because the Hawaii MFCU has not effectively carried out, and is not effectively carrying out, its statutory functions and responsibilities as required by SSA §§ 1902(a)(61) and 1903(q) and implemented in 42 CFR part 1007.

**(1) 42 CFR § 1007.17(c)(4):** The Hawaii MFCU is not effectively using its resources in investigating cases of possible fraud in the administration of the Medicaid program, the provision of medical assistance, or the activities of providers of medical assistance under the State Medicaid plan, and in prosecuting cases or cooperating with the prosecuting authorities.

The Hawaii MFCU is not effectively investigating fraud. As detailed below, the Unit's reported performance statistics from 2021 through 2025 support that conclusion and demonstrate a sustained failure to meet its grant responsibilities. The Hawaii MFCU has only obtained four fraud convictions during that time, with all four convictions occurring in 2021. From 2022 through 2025, the Unit reported *zero* fraud convictions for each year. Similarly, in the last 5 years, the Hawaii MFCU has only obtained one indictment; the indictment occurred in 2021. From 2022 through 2025, the Unit reported *zero* indictments each year. From 2021 through 2025, the Unit obtained 30 civil judgments and settlements. Twenty-three of the thirty investigations are global settlements investigated and developed by other entities, rather than cases investigated or advanced by the Unit. These 23 global settlements resulted in total civil recoveries of \$630,828. The seven civil cases that the Hawaii MFCU investigated from 2021 to 2025 resulted in civil recoveries of \$11,319,148, nearly all of which is from one case in 2023 that resulted in civil recoveries of \$11,050,000. The Hawaii MFCU's reliance on global settlements for the vast majority of its civil investigations does not demonstrate that the Unit is operating an effective fraud control operation.

Table 1: Hawaii MFCU Criminal Recoveries and Convictions

Year	Total Criminal Recoveries	Total Criminal Convictions Obtained for Fraud and Patient Abuse and Neglect	Total Criminal Indictments obtained for Fraud and Patient Abuse and Neglect
2021	\$1,107,736	4	1
2022	\$0	0	0
2023	\$0	0	0
2024	\$5,721	0	0
2025	\$0	0	0

The Unit’s low outcomes for Medicaid fraud investigations from 2021 to 2025 are even more concerning given the growth of the Hawaii Medicaid program over the similar time period. Despite significant growth in the Hawaii Medicaid expenditures and enrollment, the Hawaii MFCU saw no increase in investigative outcomes. Based on OIG’s enforcement experience, fraud increases when there is sudden, significant growth in Government programs. However, the Hawaii MFCU’s performance does not match that growth of Hawaii Medicaid over the last several years.

From 2020 to 2022, the Hawaii Medicaid program grew from \$2.68 billion to \$3.1 billion, an increase of almost 20 percent. Hawaii Medicaid spending has remained at similar levels since 2022. The increase in Medicaid spending was primarily driven by the growth in enrollment due to pandemic-era changes in eligibility rules. Hawaii’s Medicaid enrollment grew 47 percent from 2020 to 2024, from 325,667 to 493,728. As of 2025, Hawaii reported total Medicaid enrollments of above 400,000. The Hawaii MFCU’s oversight responsibilities grew to cover a \$3 billion program that provides health care coverage for nearly 30 percent of Hawaii’s population. Yet during this timeframe, the Hawaii MFCU had *zero* convictions or indictments from years 2022 through 2025. Through civil judgments it recovered almost \$14 million from 2021 to 2025. The civil recoveries amount to less than .01 percent of Hawaii’s Medicaid expenditures from the same time period.

Table 2: Five years of Hawaii MFCU Recoveries, Hawaii MFCU Expenditures, and Hawaii MFCU Return on Investment, and Hawaii Medicaid Statistics (2021–2025)

Year	Total Recoveries Criminal and Civil, Including Global Settlements	Expenditures	Hawaii MFCU ROI (Recoveries by MFCU Compared to MFCU Expenditures)	Hawaii Medicaid total Expenditures	Hawaii Medicaid Total Enrollment (as of January Each Year)
2021	\$1.3 million	\$1.7 million	\$0.765 to \$1.00	\$2.89 billion	420,611
2022	\$232,000	\$1.8 million	\$0.129 to \$1.00	\$3.1 billion	460,000
2023	\$11.1 million	\$2.1 million	\$5.286 to \$1.00	\$3.10 billion	468,542
2024	\$10,000	\$2.3 million	\$0.004 to \$1.00	\$3.11 billion	493,728
2025	\$454,000	\$2.7 million	\$0.168 to \$1.00	Not yet available	438,441

The Hawaii MFCU's ineffectiveness is not limited to this timeframe. Since 2014, OIG has identified significant findings that demonstrated that the Hawaii MFCU has failed to effectively investigate Medicaid fraud. The Unit has a repeated history of statutory, regulatory, and performance deficiencies that contribute to the Hawaii MFCU consistently having among the lowest outcomes for MFCUs nationwide and among similar sized MFCUs. What follows is a summary explanation and examples of OIG's findings on the Hawaii MFCU since 2014, as supported by OIG's onsite inspections, data submissions from the Unit, and other information OIG deemed necessary and warranted to assess the MFCU's effectiveness.

In the 2014 onsite review report, OIG's findings questioned "the Unit's ability to carry out its statutory functions and meet program requirements." That conclusion was based on deficiencies related to the Unit's operations that impeded its ability to effectively investigate fraud. For example, the Unit did not comply with statutory and regulatory requirements related to staffing and conducted investigations outside its grant authority. OIG found that the Unit's noncompliant hiring and training practices "may have limited the Unit's ability to effectively investigate and prosecute Medicaid provider fraud, as evidenced by its low number of fraud convictions." During the 3-year period covered by the 2014 onsite review, the Unit obtained only six fraud convictions. Additionally, over 20 percent of the Unit's cases had delays of over a year. Furthermore, 4 percent of the Unit's cases were not fully investigated before the statute of limitations expired. Based on OIG's onsite review, the Unit could not account for delays with these cases.

To address the Hawaii MFCU's noncompliance and improve its performance, OIG issued six recommendations. Additionally, OIG directed the Unit to develop and implement a corrective action plan to address the findings and recommendations. OIG worked with the MFCU to develop and approve a corrective action plan, which was finalized in November 2015. Two years later, in January 2017, OIG considered all recommendations from the 2014 inspection implemented based on followup documentation provided by the Unit.

In 2019, OIG conducted another onsite review of the Hawaii MFCU. This review was conducted because "despite the Hawaii MFCU having implemented a corrective action plan to improve its operations following OIG's previous onsite review, the MFCU's case outcomes were low during [fiscal years] 2016–2018." OIG identified that the Unit continued to have serious deficiencies that impeded its ability to effectively investigate possible Medicaid fraud. Deficiencies included the MFCU receiving few fraud referrals and problems retaining and hiring investigators with appropriate experience. The Unit's deficiencies to hire and train its own people impeded its ability to effectively investigate fraud because "the lack of experienced fraud investigators coupled with the small number of fraud referrals that the MFCU received made it difficult for the Unit to adequately train new investigators who had no previous experience investigating Medicaid fraud." Additionally, the 2019 onsite review found that the Unit pursued few nonglobal civil cases. From 2016 to 2018, the Unit obtained 33 civil case judgements or settlements. Twenty-eight of those were global settlements. The 28 global settlements resulted in about \$4 million in recoveries. The five nonglobal cases resulted in \$66,000 in recoveries. The 2019 onsite report findings demonstrate that the Hawaii MFCU's operational deficiencies impeded its core statutory function to effectively investigate Medicaid fraud.

As part of the 2019 onsite review, OIG compared the Unit's case outcomes to other similar sized MFCUs. This analysis demonstrated that the Hawaii MFCU had among the lowest case outcomes when compared to similar Units. The Hawaii MFCU obtained eight fraud convictions from 2016 to 2018. The median number of convictions for similarly sized Units was 20 convictions over the same time period. Similarly, the Unit obtained 19 indictments during the same time period. The median number of indictments for similarly sized Units was 37. The Unit recovered \$147,021 in criminal recoveries over the same time period. The median dollar figure of criminal recoveries obtained by similarly sized Units was \$1.2 million. For civil fraud investigations, the MFCU obtained five settlements and judgments, compared to the median of seven for other similarly sized Units from 2016 to 2018. However, the Unit recovered \$65,678 in civil recoveries compared to the median of \$3.4 million for other similar sized Units. These figures do not include results from global settlements. By all measures, the Hawaii MFCU was not effectively investigating Medicaid fraud when compared to its peers.

To address the Unit's low outcomes and the underlying causes, OIG made three recommendations. OIG also offered the Unit technical assistance from OIG's Office of Investigations based on observations that OIG's Special Agents made while assisting with the 2019 onsite review. As of October 2022, OIG considered all 2019 recommendations implemented.

Despite multiple opportunities and sufficient time and available grant funding to course correct, the Hawaii MFCU has not made lasting, significant improvements and is therefore unable to investigate fraud effectively. If anything, the Unit's results have become worse in recent years. As a result, OIG's review has determined that the Hawaii MFCU has not demonstrated that it effectively carries out the fraud-fighting functions and requirements described in section 1903(q) of the Act and in 42 CFR § 1007.17(c)(4).

**(2) 42 CFR § 1007.17(c)(5):** The Hawaii MFCU is not effectively investigating Medicaid patient abuse and neglect cases. Specifically, the Hawaii MFCU is not effectively using its resources for reviewing and investigating, referring for investigation or prosecution, or criminally prosecuting complaints alleging abuse or neglect of patients or residents in health care facilities receiving payments under the State Medicaid plan and, at the Unit's option, in board and care facilities.

As detailed below, the Unit's reported performance statistics from 2021 through 2025 demonstrate a sustained failure to meet its grant responsibilities. The Hawaii MFCU obtained only one patient abuse and neglect conviction from 2021 to 2025. As of May 2026, the Unit has obtained one additional conviction and two indictments related to patient abuse and neglect. The Unit's low outcomes for patient abuse and neglect cases do not match the enrollment growth in the Medicaid program as detailed in Table 2 above. From 2022 to 2025, the Hawaii Medicaid program had record high enrollment for the State. Yet, the Hawaii MFCU did not have a single conviction or indictment related to patient abuse and neglect.

The Unit's ineffective use of its resources for patient abuse and neglect cases is not limited to the last 5 years. In the 2019 onsite review, OIG found that the Unit obtained four patient and abuse neglect convictions, which is close to the median number of 4.5 of similar sized Units from 2016 to 2018. However, OIG determined that the Unit did not have an effective agreement with the primary State agency to get viable referrals. The Unit received thousands of abuse and neglect referrals pursuant to an agreement with another State agency, but the vast majority of these referrals were unsuitable for investigation by the Unit. As a result, the Unit spent a considerable amount of time screening complaints that were not viable, diverting time and resources from viable cases with substantial potential for criminal prosecution. To address this problem, one of OIG's three recommendations in the 2019 onsite review recommended that the Unit establish minimum criteria for patient abuse and

neglect criteria. OIG considered this recommendation implemented as of November 2020.

The Hawaii MFCU has not made lasting, significant improvements to ensure it can effectively investigate Medicaid patient abuse and neglect. The Unit's ineffectiveness is demonstrated by the Unit's inability to obtain more than one patient abuse and neglect conviction and indictment from 2021 to 2025. As a result, the Hawaii MFCU has not demonstrated that it effectively carries out its statutory function to investigate Medicaid patient abuse and neglect as described in section 1903(q) of the Act and in 42 CFR § 1007.17(c)(5).

**(3) 42 CFR § 1007.17(c)(3):** OIG has also determined that the Hawaii MFCU is not adhering to MFCU Performance Standards as published in the *Federal Register*. OIG assesses a Unit's adherence to the MFCU Performance Standards as one factor in 42 CFR § 1007.17(c) to determine whether the Unit has demonstrated that it effectively carries out the functions and requirements described in section 1903(q) of the Act.

During its April 2026 onsite review, OIG obtained information and made observations that the MFCU is not adhering to several Performance Standards. The Hawaii MFCU continues to struggle to appropriately staff the Unit in adherence with Performance Standard 2. The Unit is having continued challenges related to referral volume and quality in adherence to Performance Standard 4. The Unit is not managing its case information effectively and is not making reasonable, timely progression on investigations in adherence to Performance Standards 5 and 7.

The Hawaii MFCU has a history of repeated instances of nonadherence with the Performance Standards. In the 2014 and 2019 onsite reviews, OIG identified 12 findings related to the Unit's adherence with the Performance Standards. In the 2014 onsite review, OIG found the Unit did not regularly communicate with Federal agencies regarding health care fraud, and the Unit did not have written policies or procedures specific to its operations. And in 2019, the onsite review found that the Unit had significant turnover of investigators and had few fraud cases to train new, inexperienced investigators; pursued few nonglobal civil fraud cases; and received few fraud referrals. OIG made recommendations, provided technical assistance, and provided other support to help the Hawaii MFCU improve its adherence to the Performance Standards. Notwithstanding this assistance, the Hawaii MFCU continues to fall short of acceptable adherence to the Performance Standards.

In assessing the recertification factor under 42 CFR § 1007.17(c)(3), OIG determined that the Hawaii MFCU has failed to adhere to the Performance Standards since 2014. The Unit's longstanding and continued challenges with adhering to the Performance Standards demonstrate that it has not effectively carried out its statutory functions.

### **Effect of the Recertification Denial**

Pursuant to 42 CFR § 1007.19(d)(1), reimbursement is allowable under the MFCU grant program only if a Unit has been certified and recertified by OIG. As a result of the denial of recertification, reimbursement for costs attributable to the specific responsibilities and functions set out in part 1007 effective June 4, 2026, are not allowable and will not be reimbursed.

### **Notification of Option To Request Reconsideration**

The Hawaii MFCU may request that OIG reconsider the denial of recertification by providing written information contesting the findings on which the denial was based (42 CFR § 1007.17(e)(1)). If the Unit requests reconsideration, within 30 days of receipt of the request, OIG will provide a final decision in writing, explaining its basis for approving or denying the reconsideration of recertification (42 CFR § 1007.17(e)(2)).

If you wish to request reconsideration of the denial of recertification under 42 CFR § 1007.17(e)(1), please send written information contesting the findings described in this letter to [Thomas.Bell@oig.hhs.gov](mailto:Thomas.Bell@oig.hhs.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "T. March Bell". The signature is fluid and cursive, with a large initial "T" and a long, sweeping underline.

T. March Bell  
Inspector General