



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



July 1, 2026

Attorney General Mike Hilgers
Nebraska Attorney General
1445 K Street, Room 2115, P.O. Box 98920
Lincoln, NE 68508

Interim Director Justin Hall
Nebraska Medicaid Fraud Control Unit
Office of the Attorney General
1221 N Street, Suite 500
Lincoln, NE 68508

Dear Attorney General Hilgers and Interim Director Hall:

American taxpayers provide nearly half a billion dollars every year 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. Nebraska receives approximately \$1.4 million per year from American taxpayers for these same purposes. Given this substantial investment in the Nebraska MFCU, American taxpayers and the Federal Government expect the Unit and the Nebraska Attorney General to use the millions of Federal dollars to effectively fight Medicaid fraud and protect Medicaid patients from abuse and neglect.

The Department of Health and Human Services, Office of Inspector General (OIG) is conditionally recertifying the Nebraska MFCU, subject to the special conditions enclosed with this letter. This action reflects OIG's recognition of the Unit's potential and its obligation to ensure that every MFCU operates effectively, uses Federal funds appropriately, and consistently delivers results that protect the integrity of the Medicaid program. Although the Nebraska MFCU has taken steps to address challenges that may impede its effectiveness, the Unit must take additional action. Additional improvement is necessary to ensure compliance with Federal requirements and ensure that the Unit operates at the standard that taxpayers expect. Certain weaknesses persist, particularly in areas essential to the Unit's statutory responsibilities, such as ensuring that it is appropriately staffed and improving the quantity and quality of its referrals.

OIG takes seriously its responsibility to ensure that Units receiving these Federal funds are fulfilling the MFCU mission effectively. As part of that responsibility, OIG evaluates each Unit's performance, operational capacity, investigative outcomes, and overall adherence to statutory and regulatory requirements. This oversight is essential to maintaining public trust and ensuring that every MFCU contributes meaningfully to the broader fight against fraud, waste, and abuse within the Medicaid program.

OIG is conditionally recertifying the Nebraska MFCU beginning July 1, 2026, subject to the special condition. This letter serves as written notice and explanation of OIG's determination to

conditionally recertify the unit with a special condition. (42 CFR § 1007.17(d)(1)).

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)

OIG may impose special conditions or restrictions and may require corrective action, as provided in 2 CFR § 200.208, before approving a reapplication for recertification (42 CFR § 1007.17(d)(1)).

Basis for Conditionally Recertifying With Special Conditions

OIG conditionally recertifies the Unit subject to special conditions. OIG evaluated whether the Unit demonstrated that it effectively carries out its statutory functions and responsibilities as required by SSA §§ 1902(a)(61) and 1903(q) and implemented in 42 CFR part 1007. OIG considered the following factors and information and determined that the Unit is not effectively carrying out its statutory functions and requirements.

Findings Under Each of the Five Certification Factors in 1007.17(c)(1)-(5)

1. Compliance With Regulations (42 CFR § 1007.17(c)(1)): The Nebraska MFCU generally complied with applicable laws and regulations.
2. Compliance With Policy Transmittals (42 CFR § 1007.17(c)(2)): The Nebraska MFCU generally complied with OIG policy transmittals.
3. Adherence to Performance Standards (42 CFR § 1007.17(c)(3)): OIG has determined that the Nebraska MFCU is not adhering to the MFCU Performance Standards as published in the *Federal Register* (89 Fed. Reg. 76431, September 2024). OIG assesses a Unit's adherence to all performance standards when assessing recertification of MFCUs. To explain the results of that assessment, OIG provides the following information as examples of the Unit's adherence under four of those performance standards.

- Performance Standard 2: Staffing

The Nebraska MFCU does not employ a total number of professional staff commensurate with the State's total Medicaid program expenditures.. The Unit employs eight staff, with three vacant positions. It has a total of 11 approved positions based on the budget submitted to OIG. Based on Nebraska Medicaid's \$4.3 billion in expenditures, OIG predicts a need for 14 full-time staff. In its recertification information, the Unit stated its current staffing level was not adequate and needs to hire for the vacant positions as soon as possible. The MFCU is experiencing a turnover issue with a current vacancy rate of 27 percent. Vacancies need to be filled, and the Unit should consider adding positions.

- Performance Standard 4: Referrals

Referrals to the Nebraska MFCU are low. The Unit reported that it received only five referrals from the State Medicaid agency and Managed Care Organizations (MCOs) in FY 2025. It opened all five as investigations. In recent years, Nebraska MFCU received double the number of referrals: 10 referrals in FY 2023, 10 referrals in FY 2022, and 12 referrals in FY 2021.

Although the Nebraska Medicaid agency Program Integrity Unit (PIU) reported a good working relationship, it believes the dollar threshold for referral acceptance is a factor that limits the number of referrals the PIU makes to the Unit. In its recertification information, the Unit attributed the low volume of referrals to managed care organizations not making referrals to the PIU. The Nebraska MFCU should further assess the cause of the decrease in referrals and continue improving its working relationship with the PIU so that the Unit and the PIU can address causes for low referrals.

- Performance Standard 5: Case Progression

The Nebraska MFCU is effectively managing its case progression. The MFCU conducts monthly supervisory case file reviews. At the end of FY 2025, approximately 20 percent of the Unit's cases have been opened for more than 3 years.

- Performance Standard 8: Cooperation

The Nebraska MFCU has a strong working relationship with OIG's Office of Investigations (OI) and other Federal partners. As reported in its recertification information, OI and the Nebraska MFCU worked five joint investigations together in FY 2025. The Unit reports that it has an excellent working relationship but believes that having an OI agent in Nebraska would be beneficial. Similarly, OI reports a good working relationship but note the Unit's limited resources and staffing turnover may limit the Unit's ability to effectively fight fraud.

4. Effectiveness in investigating and prosecuting fraud (42 CFR § 1007.17(c)(4)): The Nebraska MFCU is not always using its resources effectively to investigate 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 to prosecute cases or

cooperate with the prosecuting authorities. Among the factors that OIG has considered in assessing the Unit's effectiveness in investigating and prosecuting fraud are the Unit's case outcomes as reported in the annual statistical report and how the Unit compares with similar-sized peers.

The Nebraska MFCU's fraud convictions increased from 2024 to 2025, from two to six convictions. For the last 3 years, the MFCU reported eight fraud convictions, which ranks Nebraska's MFCU ninth out of 11 similar-sized units. The Unit's criminal fraud indictments decreased from 2024 to 2025. In 2024, it obtained five fraud indictments for, but in 2025 it secured zero indictments. For the last 3 years, the MFCU reported 12 indictments. These results indicate that the Unit is not effectively using its resources to investigate criminal fraud.

The Unit's civil outcomes are improving. In FY 2025, the Unit had seven civil settlements or judgments that resulted in slightly more than \$1 million in recoveries. The Unit had similar results in FY 2024. In FY 2023 the Unit had lower civil outcomes when it secured two civil settlements and judgments.

5. Effectiveness in investigating and prosecuting patient abuse and neglect (42 CFR § 1007.17(c)(5)): The Nebraska MFCU is not always using its resources effectively to review and investigate, refer for investigation or prosecution, or criminally prosecute 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. Among the factors that OIG has considered in assessing the Unit's effectiveness in investigating and prosecuting patient abuse and neglect are the Unit's case outcomes as reported in the annual statistical report and how the Unit compares with similar-sized MFCUs.

The MFCU's convictions related to patient abuse and neglect decreased from 2024 to 2025, from two to one conviction. For the last 3 years, the MFCU reported four convictions related to patient abuse and neglect and ranked seventh out of 11 similar-sized MFCUs. In FY 2025, the Nebraska MFCU reported opening 20 new investigations related to patient abuse and neglect, and it secured one indictment. Although the Unit's outcomes for patient abuse and neglect cases are similar over the last 3 years, the Unit should assess its current practices and identify opportunities to improve its use of resources to more effectively investigate and prosecute these cases.

Effect of Conditional Recertification With Special Conditions

OIG is granting conditional recertification subject to the special conditions described below. To remove the special conditions and be recertified, the Unit must take the following corrective actions as detailed in the Enclosure.

Upon successful completion of the corrective actions, OIG will remove the special conditions. If the Nebraska MFCU fails to take the required action, OIG may pursue additional certification actions or financial remedies, as necessary (see 42 CFR § 1007.17 and 2 CFR § 200.339).

If you have any questions regarding your Unit's conditional recertification, please call me at (202) 619-3148.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. March Bell". The signature is written in a cursive, flowing style.

T. March Bell
Inspector General

Enclosure

Enclosure: Special Conditions for Corrective Action

OIG imposes the following special conditions on the Nebraska MFCU Federal grant. The Nebraska MFCU must take corrective actions to come into compliance with the MFCU performance standards (42 CFR § 1007.17(c)(3)). The Nebraska MFCU must also demonstrate it can improve its effectiveness in using its resources to investigate and prosecute criminal fraud cases. Upon OIG's determination that the Unit has taken the actions necessary to comply with its regulatory requirements and made sufficient progress for the corrective actions listed below, OIG will remove special conditions and recertify the Unit. Outlined below is an initial list of corrective actions. It should not be interpreted as an all-inclusive list. OIG will continue to work with the Nebraska MFCU to identify all actions necessary for it to meet its obligations under the law.

1. Staffing:

The Unit must take the following steps to address the staffing deficiencies described in this letter. Specifically, within 30 days of the date of this letter, the Unit must provide OIG a staffing plan that details how the Unit will increase its staff to effectively fight fraud and patient abuse and neglect. The staffing plan must specify the staff positions the Unit will add or fill, the targeted timeframe for onboarding each staff position, and the actions the Unit will take to meet its targeted timeframes. In addition, within 90 days of the date of this letter, the Unit must provide to OIG a progress report that details the steps the Unit has taken in accordance with its staffing plan. OIG may provide feedback to the Unit on the staffing plan and progress report, as necessary. To remove the special condition, the Unit must do more than merely submit a plan for improvement and a progress report; it must also demonstrate significant progress toward addressing the staffing deficiencies described in this letter.

2. Referrals:

The Unit must take steps to address the referral deficiencies described in this letter. Specifically, within 30 days of the date of this letter, the Unit must provide to OIG a root cause analysis of the low referrals and an action plan that details the steps the Unit will take to address the quality and quantity of its referrals. The action plan must specify the referral entities with which the Unit will schedule regular meetings (at least monthly) and a description and targeted timeline for providing training or other information to the specified referral entities to encourage referrals. In addition, within 90 days of the date of this letter, the Unit must provide to OIG a progress report that details the steps the Unit has taken in accordance with its action plan and the number or percentage increase in referrals from each referral source over the last 90 days. OIG may provide feedback to the Unit on the action plan and progress report, as necessary. To remove the special condition, the Unit must do more than merely submit a plan for improvement and a progress report; it must also demonstrate significant progress toward addressing the referral deficiencies described in this letter.