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April 10, 2013

Nirav R. Shah, M.D., M.P.H.
Commissioner
Department of Health
Corning Tower Building
Empire State Plaza
Albany, NY 12237

Re: Medicaid Payments for Excessive Dental
Services
Report 2012-F-30

Dear Dr. Shah:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Department of Health (Department) to implement the recommendations contained in our audit report, Medicaid Payments for Excessive Dental Services (Report 2009-S-46).

Background, Scope and Objective

The Department uses its eMedNY computer system to process and pay Medicaid claims. At the time of our audit, there were two types of claims that could be submitted for dental services: fee-for-service (FFS) claims and rate-based claims. FFS claims are submitted by individual dentists, who receive a separate payment for each procedure performed during a visit. Rate-based claims are submitted by facilities such as dental clinics. Generally, dental clinics received a single all-inclusive payment regardless of how many procedures are provided during a visit. For the five-year period ended August 31, 2009, Medicaid paid $418 million for oral evaluations, cleanings, and other routine dental services. Generally, these services are not eligible for reimbursement if they exceed specific frequency limits (i.e., if they are provided to the same Medicaid recipient more times than is allowed during a certain time period).

Our initial report was issued on August 16, 2010. Our objective was to determine if eMedNY had adequate controls to prevent Medicaid payments for excessive routine dental services. We found eMedNY often paid claims for these services that exceeded frequency limits set by the Department. Our review of FFS claims identified 361,000 claims totaling $14 million

that exceeded frequency limits. Our review of rate-based claims identified an additional 204,000 claims totaling $26 million that also exceeded frequency limits. In addition, New York's Medicaid reimbursement fees for oral evaluations and cleanings were higher than those in 15 comparable states. If New York adjusted its fees for these services to the averages of the other states, it could have saved more than $60 million during our audit period.

The objective of our follow-up was to assess the extent of implementation, as of December 31, 2012, of the six recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

Department officials made progress in addressing several of the issues identified in our initial report.   In particular, changes to payment schedules for routine dental services saved Medicaid more than $11 million. However, additional actions still need to be taken. Of the six prior audit recommendations, two were implemented, two were partially implemented, and two were not implemented.

Follow-up Observations

Recommendation 1

Modify the eMedNY edits for periodic oral evaluations, cleanings, and fluoride treatments, paid on a fee-for-service basis, to allow payment for these services only once in a six-month period, consistent with the provisions of the Dental Manual.

Status - Implemented

Agency Action - In May 2011, the Department modified the eMedNY edits for oral evaluations, cleanings, and fluoride treatments. These edits now limit Medicaid payments for these services to only once in a six-month period, consistent with the provisions of the Dental Manual.

Recommendation 2

Either modify the Medicaid Dispensing Validation System or establish a comparable mechanism to enable dental providers to determine whether recipients have met their service limits before services are performed and billed.

Status - Not Implemented

Agency Action - The Department did not modify the Medicaid Dispensing Validation System nor establish a comparable mechanism to enable a provider to check a recipient's claim history to determine if the recipient has met the dental program's service limits.

Recommendation 3

Activate eMedNY edit controls to limit services by recipient (rather than by provider).

Status - Partially Implemented

Agency Action - The Department implemented eMedNY "pay and report" edits that identify and report recipients who exceed certain Medicaid dental service limits. Based on these edits, the Department provides reports of recipients who exceed the limits to the Office of the Medicaid Inspector General (OMIG) for review and recovery of improper claim payments. However, the pay and report edits do not prevent the payment of claims when recipients exceed service limits.

Recommendation 4

Establish edits for rate-based claims for dental procedures to ensure providers are paid only at the limits set forth in the Dental Manual.

Status - Not Implemented

Agency Action - At the time of our follow-up, the Department had not established edits for rate-based claims for dental procedures. Officials will, however, consider the use of rate-based edits for dental services when a new Medicaid claims processing system is developed. The Department must first submit a draft RFP for a new claims processing system to the Centers for Medicare and Medicaid Services (CMS) for approval. If CMS approval is obtained timely, Department officials anticipate a contract award for the new system by September 2013 and system implementation by May 2015.

Also, in recent years, the Department phased-in a new payment method for certain services (including dental services) based on the Ambulatory Patient Group (APG) concept. APG payments are based on factors such as the diagnosis, the procedures performed, and the amounts and types of resources used. According to officials, under the APG concept, the Department will be better able to design edits to avoid payments for excessive dental services.

Recommendation 5

Review the overpayments we identified and recover the excessive amounts paid, as appropriate. As priorities and resources permit, follow up on claim payments for excessive service to determine if certain providers have abused the Medicaid program. Take actions with such providers, as appropriate.

Status - Partially Implemented

Agency Action - In 2012, the OMIG developed its Preventive Services Dental Match Project (Project). The Project was designed to identify excessive payments for oral evaluations, cleanings, scaling and root planing, fluoride treatments, and dental sealants. OMIG will use Project tools to evaluate the claims identified in our audit and determine if recoveries are warranted. However, at the time of our follow-up, OMIG had not put the Project into operation. Therefore, the OMIG had not taken actions against any providers nor made any recoveries of the overpayments we identified.

Recommendation 6

Make a formal assessment of the level of the fees paid by New York's Medicaid program for routine dental services. Compare New York's fees with fees paid in other states and determine if adjustments are justified to achieve savings by lowering fees for certain procedures, such as evaluations and cleanings.

Status - Implemented

Agency Action - In 2011, the Department's Medicaid Redesign Team formally assessed all Medicaid dental fees. Based on its assessment, fees for several routine dental services were adjusted. For example, effective May 19, 2011, the Department reduced payments for evaluations (from $29 to $18.85) and adult cleanings (from $58 to $37.70). As a result of the fee reductions, Medicaid saved more than $11 million for routine dental services from May 19, 2011 through December 31, 2012.

Major contributors to this report were Warren Fitzgerald, Brian Krawiecki and Anthony Calabrese.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Department of Health for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Dennis Buckley
Audit Manager

cc: Mr. James Cox, Medicaid Inspector General
Mr. Stephen Abbott, Department of Health
Mr. Thomas Lukacs, Division of the Budget