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November 7, 2013

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

Re: Overpayments to Cabrini
Medical Center
Report 2013-F-19

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, *Overpayments to Cabrini Medical Center* (Report 2011-S-8).

Background, Scope and Objective

Medicaid providers submit claims to the Department's eMedNY claims processing system for payment of their services. For various reasons, Medicaid providers sometimes need to adjust a previously paid claim and resubmit it to eMedNY for additional processing. Cabrini Medical Center (Cabrini), a hospital in New York City, was a Medicaid provider of inpatient care until it closed in June 2008. In July 2009, Cabrini filed for Chapter 11 bankruptcy. In August 2009, Cabrini hired The Gaeta Company, Inc. (Gaeta) to review Cabrini's previously paid Medicaid claims and determine if additional revenues could be obtained through claim adjustments. In this regard, Gaeta was a service bureau (billing agent) for Cabrini. Since August 2009, Gaeta adjusted and resubmitted over 360 claims for Cabrini. Medicaid originally paid Cabrini $2.2 million on those claims. However, after adjustment, the claims totaled $5.4 million - an increase of $3.2 million over their original payment amounts.

Our initial audit report, issued on April 3, 2012, examined whether Gaeta incorrectly adjusted Cabrini's previously paid Medicaid claims for the period from August 1, 2009 through July 31, 2011. Our initial audit found Gaeta submitted $1.9 million in improper Medicaid claim adjustments, on behalf of Cabrini, by altering information from the original claims and resubmitting them to Medicaid for higher payment amounts. (Note: At the time of the initial audit, we prevented the payment of $904,000 of the improper claims before Medicaid would

have paid them. However, Medicaid paid nearly $1 million of the improper claims, and those payments warranted recovery.)

On one claim, for example, Medicaid originally paid Cabrini $6,656. Gaeta, however, improperly adjusted the claim by omitting the amount Medicare already paid on it. As a result, Medicaid overpaid the adjusted claim by $355,859. In addition to the $1.9 million in improper claim adjustments, auditors referred another $618,000 in potential overpayments to the Department for further review. Also, auditors determined the eMedNY system did not have the controls necessary to identify unreasonable or suspicious adjustment claims.

The objective of our follow-up was to assess the extent of implementation, as of July 31, 2013, of the six recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

Department officials made significant progress in addressing the problems we identified in the initial audit. This included the recovery of improper payments totaling $1,460,503 (in addition to the $904,000 in payments prevented by the initial audit). However, further actions are still needed. Of the six prior audit recommendations, three were implemented and three were partially implemented.

Follow-Up Observations

Recommendation 1

From the $1.9 million in excessive claims we identified, recover the $1 million in overpayments made to Cabrini.

Status - Implemented

Agency Action - The Office of the Medicaid Inspector General (OMIG) investigates and recovers improper Medicaid payments on behalf of the Department. As a result of an investigation, the OMIG and Cabrini's bankruptcy Plan Administrator agreed to a "Stipulation of Settlement." Based on the settlement, the OMIG accepted a payment of $1,460,503 from Cabrini on October 26, 2012 in full and final satisfaction of any and all alleged Medicaid overpayments resulting from our initial audit. Including the $904,000 in overpayments prevented at the time of the initial audit, the total cost savings resulting from the audit totaled about $2.4 million.

Recommendation 2

Review the $618,000 in potential overpayments and recover additional money as appropriate.

Status - Implemented

Agency Action - As stated previously, the OMIG recovered $1,460,503 from Cabrini as a result of our initial audit. This included recoveries pertaining to the $618,000 in potential overpayments we identified.

Recommendation 3

Ensure all service bureaus have the required systems in place for Medicaid providers to review their claims prior to the service bureaus' submission of the claims to eMedNY.

Status - Partially Implemented

Agency Action - A recent Department *Medicaid Update* article reminded service bureaus and health care providers that claims must be reviewed by the provider, prior to their submission to eMedNY, to allow the provider to correct or delete any inaccurate claim data. However, the Department has no formal mechanism to ensure service bureaus have the required systems in place for providers to review their claims prior to the bureaus' claim submissions to eMedNY.

Recommendation 4

Develop and implement controls within eMedNY to identify and review questionable adjustment claims with high risk attributes. Such attributes should include (but not be limited to) claims that: result in major increases in payment amounts; come from (or are submitted on behalf of) providers who are out of business; and are several years old.

Status - Partially Implemented

Agency Action - The Department has not developed or implemented controls within eMedNY to identify and review adjustment claims that result in major increases in payment amounts or were submitted by or on behalf of providers who are out of business. However, in 2012, the Department implemented a project to strengthen eMedNY controls associated with adjustments to claims that are several years old. Specifically, eMedNY will deny a claim adjustment if the adjustment is submitted more than six years after the original claim's processing date. Further, Department officials stated they will continue to analyze billing patterns and, with available resources, perform manual reviews of high risk adjustment claims.

Recommendation 5

Investigate Gaeta's billing practices and determine the extent of its inappropriate claim submissions for Cabrini and its other client Medicaid providers as well.

Status - Implemented

Agency Action - Gaeta's billing practices were reviewed by OMIG and referred to the Attorney

General's Medicaid Fraud Control Unit (MFCU) for further investigation. At the time of our follow-up, the MFCU's investigation of Gaeta's incorrect claim submissions and billing practices was ongoing.

Recommendation 6

Develop and implement controls within eMedNY to identify the service bureaus billing Medicaid on behalf of healthcare providers.

Status - Partially Implemented

Agency Action - According to Department officials, they initiated an eMedNY project to identify service bureaus that submit electronic transactions on behalf of Medicaid providers. However, officials postponed the project to address other priorities. At the time of our follow-up, the project was scheduled to be completed in November 2014.

Major contributors to this report were Gail Gorski and Earl Vincent.

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 for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Andrea Inman
Audit Manager

cc: Ms. Diane Christensen, Department of Health
Mr. James Cox, Medicaid Inspector General
Mr. Thomas Lukacs, Division of the Budget