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December 12, 2013

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

Re: Medicaid Claims Processing Activity
October 1, 2008 Through March 31, 2009
Report 2013-F-21

Dear Dr. Shah:

According 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 Claims Processing Activity October 1, 2008 Through March 31, 2009* (Report 2008-S-155).

Background, Scope and Objective

The Department administers the State's Medicaid Program. The Department's eMedNY computer system processes Medicaid claims submitted by providers for services rendered to Medicaid eligible recipients and generates payments to reimburse the providers for their claims. During the six-month period ended March 31, 2009, eMedNY processed approximately 171 million claims resulting in payments to providers of about $22 billion. The claims are processed and reimbursed in weekly cycles which averaged 6.6 million claims and $862 million in Medicaid payments to providers.

When Medicaid claims are processed by eMedNY, they are subject to various automated edits. The purpose of the edits is to determine whether the claims are eligible for reimbursement and the amounts claimed for reimbursement are appropriate. For example, some edits verify the eligibility of the Medicaid recipient, other edits verify the eligibility of the medical service, and other edits verify the appropriateness of the amount billed for the service. In addition, some edits compare the claim to other related claims to determine whether any of the claims duplicate one

another.

The Office of the State Comptroller (OSC) performs audit steps during each weekly cycle of eMedNY processing to determine whether eMedNY has reasonably ensured that the Medicaid claims were processed in accordance with requirements, the providers submitting the claims were approved for participation in the Medicaid program, and the amounts paid to the providers were correct. As audit exceptions are identified during the weekly cycle, OSC auditors work with Department staff to resolve the exceptions in a timely manner so that payments can be made to providers. If necessary, payments to providers can be suspended until satisfactory resolution of the exceptions has been achieved.

Our initial audit report, issued December 22, 2009, examined whether the Department's eMedNY System reasonably ensured that Medicaid claims were submitted from approved providers, were accurately processed, and resulted in correct provider payments. We identified five reportable conditions. The first reportable condition entailed the identification and prevention of a potential $20.3 million overpayment resulting from a reimbursement rate that was incorrectly updated on a rate file loaded onto the eMedNY System. The remaining four reportable conditions resulted in overpayments of approximately $1.2 million, as follows:

- $771,347 in net overpayments resulting from 77 invalid neonatal inpatient claims that occurred due to incorrect claim information, such as newborn birth weights;
- $357,267 in inappropriate payments for transportation services that were either not medically necessary, not rendered, or not allowed by Medicaid or were duplicate billings;
- $35,306 in overpayments resulting from 394 claims for dialysis services in which the provider billed an incorrect reimbursement rate code; and
- $16,823 in overpayments on three claims resulting from inaccurate reporting of coinsurance.

The objective of our follow-up was to assess the extent of implementation, as of November 14, 2013, of the eight recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

Department officials have made progress in correcting the problems we identified in the initial report. However, improvements are still needed. Of the eight prior audit recommendations, five recommendations have been implemented and three recommendations have been partially implemented.

Follow-Up Observations

Recommendation 1

Review the remaining $750,370 related to the 66 overpaid claims we identified and recover overpayments as appropriate, and ensure correct payment of the 10 underpaid claims totaling $102,893.

Status - Partially Implemented

Agency Action - As a result of this follow-up review, Department officials recently sent a file of the claims related to this recommendation to Island Peer Review Organization (IPRO), which is in the process of analyzing the 66 overpaid claims totaling $750,370 and the 10 underpaid claims totaling $102,893. Department officials stated that they intend to recover them as appropriate. Once IPRO has completed their analysis, they will report back to the Department with the payment adjustments. IPRO anticipates this will be completed by March 31, 2014.

Recommendation 2

Recover the appropriate State and Federal share of the $195,958 in improper transportation costs approved by Dutchess County. Also, recover the $60,461 from the providers who did not void their inappropriate claims.

Status - Partially Implemented

Agency Action - The Office of the Medicaid Inspector General (OMIG), which operates as the Department's collection agent, has recovered monies from two of the three providers, totaling $44,445 out of the $60,461. However, Department officials state they disagreed with the part of the recommendation to recover the appropriate State and Federal share of the $195,958 in improper transportation costs approved by Dutchess County. Department officials believe the 2004 letter describing the medical necessity of the transportation costs was misinterpreted by County Department of Social Services officials when it was pointed out by our auditors that the trips were not "medically necessary." Subsequently, County staff stopped Medicaid-funded transportation for the individual for that specific not "medically necessary" purpose. Department officials stated the Department does not find the county or provider liable for the late decisions made by hospital staff. Nor is the transportation provider liable, as it received authorization and performed the trips.

Recommendation 3

Complete implementation of the eMedNY edit that will prevent providers from billing more trips per day than the prior authorization was intended to allow.

Status - Implemented

Agency Action - The eMedNY program has two edits to prevent providers from billing more trips per day than the prior authorization was intended to allow. One edit will deny claims that bill for more trips per day than the prior authorization was intended to allow. The other edit will deny claims that bill for more trips, in total, than authorized.

Recommendation 4

Issue guidance, that addresses the audit findings discussed in this audit report, to remind providers on the correct way to bill for transportation services.

Status - Implemented

Agency Action - As a result of the follow-up review, Department officials took steps to issue guidance to remind providers on the correct way to bill for transportation services. Officials provided an alert through the Upstate and New York City provider websites that reminded providers of the Department's claims submission policy, with a focus on claiming only for the pickup charge and authorized mileage for the trip. There are instructions to contact the Department with questions about authorized charges for the trip and procedures to correct the charges, if necessary. There is also a warning about false claims and that actions will be taken if a fraud is detected.

Recommendation 5

Continue to perform reviews of providers to ensure that only transportation for services covered by Medicaid are reimbursed; that recipients use the least costly, most medically-appropriate mode of transport; and that providers only bill for services rendered and adjust claims for cancelled trips.

Status - Partially Implemented

Agency Action - Officials state they are in the process of implementing a Department administered transportation management system throughout the State, removing this function from local county government. Where implemented, consistent application of transportation policy is maintained, significant pre- and post-trip review of medical destination is completed, and appropriate mode of transportation is documented and stored. The system is currently in place in New York City, and the Hudson Valley and Finger Lakes regions. Department officials are currently setting the system up in the western New York counties. Long Island will be the final area to be included and the entire system is expected to be fully implemented by fall 2014.

Recommendation 6

Instruct and ensure that the provider who is billing for unloaded mileage discontinues this billing practice.

Status - Implemented

Agency Action - In a 2009 letter, Department officials instructed the provider who was billing for unloaded mileage to discontinue this billing practice. In addition, as mentioned above the Department is instituting a new transportation management system to ensure consistent application of the transportation policy. This should eliminate billing for unloaded mileage.

Recommendation 7

Develop an edit that will appropriately pay Medicare coinsurance claims for recipients enrolled in a Medicare HMO.

Status - Implemented

Agency Action - The Department developed an edit that will appropriately pay Medicare coinsurance claims for dually enrolled recipients. It was released on February 18, 2010. With the edit in place, if a Nursing Home claim has both Medicaid full days and coinsurance days with Medicaid HMO involvement, then the claim will be denied.

Recommendation 8

Recover the remaining $12,251 in overpayments.

Status - Implemented

Agency Action - OMIG recovered the overpayments of $12,251.

Major contributors to this report were Todd Seeberger, Donald Collins and Dylan Spring.

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.

Yours truly,

Brian Reilly
Audit Manager

cc: Diane Christenson, Department of Health
Thomas Lukacs, Division of the Budget