THOMAS P. DINAPOLI COMPTROLLER



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STATE OF NEW YORK OFFICE OF THE STATE COMPTROLLER

September 5, 2013

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

> Re: Collection of Medicaid Accounts Receivable Report 2013-F-2

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, Collection of Medicaid Accounts Receivable (Report 2009-S-59).

Background, Scope and Objective

The Department administers New York State's Medicaid program, which provides medical assistance to eligible individuals. The Department is responsible for recovering accounts receivable from providers whose Medicaid claims were overpaid when processed by the Department's eMedNY computer system. The Department identifies these overpayments through audits by the New York State Office of the Medicaid Inspector General (OMIG) or when a retroactive rate causes a previously paid claim to be overpaid. As of March 31, 2013, there were approximately \$214 million in Medicaid accounts receivable that were identified due to audits and negative retroactive rate adjustments.

When an overpayment is identified, the Department establishes an accounts receivable on eMedNY. The Department recovers accounts receivable through refund checks issued by providers

or through eMedNY offsets to provider payments. Generally, eMedNY collection percentages are designed to recover accounts receivable within a two-year period. The Department identified \$1.7 billion in new accounts receivable during calendar years 2010 through 2012.

Our initial audit report was issued on September 9, 2010. Our objective was to determine whether the Department effectively recovered accounts receivable when Medicaid overpaid providers. For the period January 1, 2006 through February 18, 2010, we found the Department needed to act more effectively to collect about \$37 million of accounts receivable attributable to inactive providers, providers who join group practices, and providers who are affiliated and share the same federal taxpayer identification number. We also found the Department needed to act more promptly to recover amounts repaid to the federal government for receivables that eventually became uncollectible and, therefore, were written-off.

The objective of our follow-up was to assess the extent of implementation, as of June 13, 2013, of the four recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

Department officials made progress in addressing the issues we identified in the initial audit. Of note, the Department and the OMIG recovered nearly \$2.8 million in accounts receivable. However, further actions are still needed. Each of the prior audit's four recommendations was partially implemented.

Follow-up Observations

Recommendation 1

Determine the feasibility of options, including those indentified in this report, for pursuing the collection of accounts receivable due from inactive providers.

Status - Partially Implemented

Agency Action - OMIG has collected certain accounts receivable and taken steps to pursue collection of other receivables from inactive providers. Our initial audit attributed \$35 million in accounts receivable to inactive providers. Of that amount, the OMIG has collected \$1.5 million from two providers. In addition, the OMIG referred 34 accounts totaling \$14.8 million to the Office of the Attorney General's (OAG) Civil Recovery Unit. Collections are being made on some of these balances through the OAG Statewide Offset Program, administered by the Department of Taxation and Finance. Under this program, the State can offset provider payments by the amounts of any outstanding receivables.

In addition, OMIG was unable to collect on 61 accounts totaling \$12.4 million because the providers declared bankruptcy. OMIG can still reclaim the Federal share of these receivables by submitting affirmations of amounts owed to the Department's Financial Management Group (FMG). However, at the time of our follow-up, OMIG officials had not yet submitted

affirmations on these accounts because they were awaiting court approvals, bankruptcy notices, and notices of final payment from providers with outstanding balances. Since 2011, the OMIG has concluded that an additional 63 accounts, totaling \$16.1 million are uncollectible. OMIG referred these accounts to the Department's FMG to initiate efforts to reclaim the federal share of these accounts' balances.

Recommendation 2

Follow regulations and seek recovery of accounts receivable that were owed by providers when they joined a group practice.

Status - Partially Implemented

Agency Action - Our initial audit identified 1,104 individual providers who owed Medicaid \$737,469 and subsequently joined a group practice. At the time of our follow-up, the Department had recovered \$277,145 of the \$362,721 owed by the 31 providers with the highest balances. The Department had also taken actions to recover accounts receivable from providers with lesser amounts owed. However, the Department recovered these balances from the individual providers - not their group practices. Department officials acknowledged that the Department does not have formal procedures to investigate and recover receivables owed by individual providers who join a group practice. According to officials, the Department is working with Computer Sciences Corporation to imbed a function within eMedNY to identify group or affiliated providers and thereby enhance efforts to collect accounts receivable.

Recommendation 3

Ensure the Department's procedures and practices address the recovery of all accounts receivables identified through audits or retroactive rate adjustments for affiliated providers.

Status - Partially Implemented

Agency Action - The initial audit identified 15 providers that owed Medicaid a total of \$1.7 million and were affiliated with other providers through a common federal tax identification number. At the time of our follow-up, the Department had recovered more than \$1 million of these receivables. However, the Department recovered the receivables from the individual providers in question. At the time of our review, the Department still did not have procedures to recover accounts receivable from affiliated providers. As noted previously, Department officials have been working with Computer Sciences Corporation to incorporate a function within eMedNY that would identify group or affiliated providers to enhance accounts receivable collection efforts.

Recommendation 4

Ensure that the Department acts in a timely manner to routinely refer appropriate accounts receivable to the State Attorney General for collection.

Status - Partially Implemented

Agency Action - According to OMIG officials, only two accounts identified during our initial audit were referred to the OAG. OMIG officials further advised us that they will follow Division of the Budget policy which requires State agencies to refer accounts that are more than 120 days delinquent to the OAG. The Department provided us with no additional information concerning referrals of delinquent accounts receivable. Further, officials acknowledged that the Department had no specific procedures to ensure that delinquent receivables were referred to the OAG for collection.

Major contributors to this report were Ed Durocher, Jessica Turner and Emily Proulx.

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,

Dennis Buckley Audit Manager

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