



## Department of Health

**KATHY HOCHUL**  
Governor

**HOWARD A. ZUCKER, M.D., J.D.**  
Commissioner

**KRISTIN M. PROUD**  
Acting Executive Deputy Commissioner

November 18, 2021

Andrea Inman  
Audit Director  
Division of State Government Accountability  
NYS Office of the State Comptroller  
110 State Street, 11th Floor  
Albany, New York 12236

Dear Ms. Inman:

Pursuant to the provisions of Section 170 of New York State Executive Law, I hereby transmit to you a copy of the New York State Department of Health's comments related to the Office of the State Comptroller's final audit report 2020-S-8 entitled, "Department of Health-Medicaid Program: Improper Medicaid Payments for Misclassified Patient Discharges."

Please feel free to contact the Office of Governmental and External Affairs at (518) 473-1124 with any questions.

Sincerely,

Kristin M. Proud  
Acting Executive Deputy Commissioner

Enclosure

cc: Ms. Chun

**Department of Health Comments on the  
Office of the State Comptroller's  
Final Audit Report 2020-S-8 entitled, "Improper Medicaid Payments  
for Misclassified Patient Discharges"**

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The following are the responses from the New York State Department of Health (Department) to Final Audit Report 2020-S-8 entitled, "Improper Medicaid Payments for Misclassified Patient Discharges" by the Office of the State Comptroller (OSC).

**Recommendation #1:**

Review the \$252,107 in overpayments and recover as appropriate.

**Response #1:**

The Office of the Medicaid Inspector General (OMIG) is reviewing claims to confirm whether miscoded hospital inpatient discharges resulted in overpayments which requires a medical review of the files of the discharging and the admitting facilities. Pursuant to State regulations, any identified overpayments OMIG pursues for recovery are subject to the provider's right to due process.

**Recommendation #2:**

Review the remaining 2,017 high-risk claims totaling \$28 million identified in this audit and recover overpayments as appropriate. Ensure prompt attention is paid to those providers that received the largest dollar amounts of payments.

**Response #2:**

OMIG has initiated the audit process and is reviewing claims to determine if the misclassification of hospital inpatient discharges resulted in Medicaid overpayments, and recover overpayments and correct provider behavior, as appropriate. OMIG's audit analysis, which requires a medical review of inpatient files of the discharging and admitting facilities, has determined that some of the OSC-identified claims are considered appropriate as billed. OMIG is continuing to perform analysis on the remaining claims to make final determinations. Pursuant to State regulations, any identified overpayments OMIG pursues for recovery are subject to the provider's right to due process.

**Recommendation #3:**

Formally remind hospitals to use correct billing codes based on information documented in the medical records.

**Response #3:**

The Department issued a Medicaid Update reminder in October 2021 entitled *Medicaid Hospital Inpatient Billing Discharge Status Codes*, which addresses the OSC recommendation. The article can be found in Volume 37 – Number 11:

[https://www.health.ny.gov/health\\_care/medicaid/program/update/2021/no11\\_2021-09.htm#billing](https://www.health.ny.gov/health_care/medicaid/program/update/2021/no11_2021-09.htm#billing)

**Recommendation #4:**

Develop a process to identify and recover Medicaid overpayments for Fee-For-Service (FFS) inpatient claims that have a high risk of miscoded patient status codes such as those identified by this audit.

**Response #4:**

The Department has begun internal discussions to determine if any internal controls, such as edits to eMedNY or post audit and review procedures, can be implemented to better identify FFS inpatient claims at high risk for inaccurate use of discharge status codes. As part of these internal discussions, the Department initiated a Request for Information on Using Advanced Technology in Medicaid Program Integrity and Efficiency (RFI), which, among other topics, seeks to understand what solutions exist, including artificial intelligence and machine learning, that could analyze claims data and draw insights into sources of potential Medicaid overpayments, as noted by OSC in this audit.<sup>1</sup> The responses to the RFI remain under active discussion between the Department and OMIG, but speaks to the needs for enhanced solutions around the issues noted by OSC.

Additionally, OMIG has initiated an audit process to determine if the misclassification of hospital inpatient discharges resulted in Medicaid overpayments. OMIG will continue this audit process, should circumstances warrant.

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<sup>1</sup> A copy of the RFI may be accessed at the following website:  
<https://www.health.ny.gov/funding/rfi/atpi/index.htm>