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**Thomas P. DiNapoli  
COMPTROLLER**



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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**DEPARTMENT OF HEALTH**

**MEDICAID CLAIMS  
PROCESSING ACTIVITY  
OCTOBER 1, 2007  
THROUGH MARCH 31, 2008**

**Report 2007-S-115**

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## **AUDIT OBJECTIVE**

Our objective was to determine whether the Department of Health's eMedNY System reasonably assured that Medicaid claims were submitted from approved providers, were accurately processed and resulted in correct provider payments.

## **AUDIT BACKGROUND AND RESULTS SUMMARY**

The Department of Health (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, 2008, eMedNY processed 175 million claims resulting in \$21 billion of provider payments. The claims are processed and reimbursed in weekly cycles which average 6.7 million claims and \$805 million of reimbursing payments.

The Office of the State Comptroller (OSC) performs audit steps during each weekly cycle of eMedNY processing to determine that eMedNY reasonably assures accurate Medicaid claims processing resulting in correct reimbursement payments to authorized providers. For example, the audit steps verify that Medicaid payments are supported by approved claims, updated provider reimbursement rates are correctly input, changes to system edits are approved, and payments fall within acceptable ranges for various categories of claims.

As audit exceptions are identified during the weekly cycle, OSC auditors work with Department staff to resolve them 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. In addition, the audit work performed during the weekly cycle may identify patterns and trends in claims and payment data that warrant follow up and analysis as part of an expanded OSC performance audit.

Our audit steps for the weekly cycles of Medicaid payments during the six months ended March 31, 2008 concluded that eMedNY reasonably assured that Medicaid claims were submitted from approved providers, were accurately processed and resulted in correct provider payments. When audit exceptions were identified during the weekly cycle audits, these were communicated with Department officials who initiated appropriate actions to address them. Our audit tests assumed the validity of the underlying claims (i.e. that the provider was qualified to provide the services, the services were necessary and the service charges were appropriate). The audit objective was solely to examine the accuracy of the Department's payment process and that the claims were correctly processed and paid based upon the information submitted by the provider. We do, however, examine and assess the validity of claims as part of OSC performance audits of provider operations and the Department's overall administration of the Medicaid program.

We did identify one reportable and longstanding finding resulting from our weekly audit steps which requires additional action from the Department to adequately resolve. During this six months we identified and prevented a \$84,950 overpayment to one provider that resulted when eMedNY reimbursed for \$85,808 a claim that should have been reimbursed for \$858. Follow up showed the overpayment resulted because eMedNY does not contain edit logic to determine that a provider claim properly

reflects the correct amount of third party insurance coverage or coinsurance that has already been paid for the claimed service.

This is an exception that we have reported in the past and has remained outstanding for about three years since the implementation of eMedNY. We again recommend that the Department take the necessary steps to implement the edits and controls to preclude overpayments for this exception condition.

This report, dated July 31, 2008, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or  
Office of the State Comptroller  
Division of State Government Accountability  
110 State Street, 11<sup>th</sup> Floor  
Albany, NY 12236

### **Recommendation**

Develop and implement the edits and controls necessary to validate third party insurance amounts recorded by Medicaid providers on their claims.

### **AUDIT SCOPE AND METHODOLOGY**

We conducted our audit according to generally accepted government auditing standards. During the period October 1, 2007 through March 31, 2008, we audited selected Medicaid claims processed by the Department. To accomplish our audit objective, we performed various analyses of claims from Medicaid payment files and verified the accuracy of certain payments. We also interviewed Department officials, reviewed applicable sections of federal and State laws and regulations, and examined the Department's relevant Medicaid payment policies and procedures. Our audit steps reflect a risk-based approach taking into consideration the time constraints of the

weekly payments of the audit materiality of payment on audits. Our audit steps were designed to reasonably assure that Medicaid claims were submitted from approved providers, were accurately processed and resulted in correct provider payments.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of who have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

### **AUTHORITY**

The audit was performed 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.

### **REPORTING REQUIREMENTS**

We provided a draft copy of this report to Department officials for their review and comment. Department officials generally agreed with our recommendations and indicated actions planned or taken to implement them. We considered their comments in preparing this report. A completed copy of the Department's response is included as Appendix A.

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## **CONTRIBUTORS TO THE REPORT**

Major contributors to the report include Sheila Emminger, Warren Fitzgerald, Earl Vincent, Christopher Morris and Martin Patterson.

## APPENDIX A - AUDITEE RESPONSE



## STATE OF NEW YORK DEPARTMENT OF HEALTH

Corning Tower The Governor Nelson A. Rockefeller Empire State Plaza Albany, New York 12237

Richard F. Daines, M.D.  
*Commissioner*

Wendy E. Saunders  
*Chief of Staff*

July 17, 2008

Sheila A. Emminger, Audit Manager  
Office of the State Comptroller  
Division of State Services  
State Audit Bureau  
110 State Street, 11<sup>th</sup> Floor  
Albany, New York 12236

Dear Ms. Emminger:

Enclosed are the Department of Health's comments on the Office of the State Comptroller's draft audit report 2007-S-115 on "Medicaid Claims Processing Activity October 1, 2007 through March 31, 2008."

Thank you for the opportunity to comment.

Sincerely,

Wendy E. Saunders  
Chief of Staff

Enclosure

cc: Stephen Abbott  
Deborah Bachrach  
Homer Charbonneau  
Ron Farrell  
Randall Griffin  
Gail Kerker  
Sandra Pettinato  
Robert W. Reed  
James Sheehan

**Department of Health  
Comments on the  
Office of the State Comptroller's  
Draft Audit Report 2007-S-115 on  
"Medicaid Claims Processing Activity October 1, 2007  
through March 31, 2008"**

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The following are the Department of Health's (Department) comments in response to Office of the State Comptroller (OSC) draft audit report 2007-S-115 on "Medicaid Claims Processing Activity October 1, 2007 through March 31, 2008.

**Recommendation:**

Develop and implement the edits and controls necessary to validate third party insurance amounts recorded by Medicaid providers on their claims.

**Response:**

The Department is assessing the feasibility of developing and implementing edits and controls to validate third party insurance amounts recorded by Medicaid providers on their claims. The Department is currently evaluating criteria that could be applied in order to identify claims that exceed specified parameters.