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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 17, 2009

Richard F. Daines, M.D.
Commissioner
NYS Department of Health
Empire State Plaza
Corning Office Tower
Albany, New York 12237

Re: Report 2009-F-38

Dear Dr. Daines:

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, *Medicaid Claims Processing Activity October 1, 2007 Through March 31, 2008* (Report 2007-S-115).

Background, Scope and Objectives

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

The Office of the State Comptroller (OSC) performs audit steps during each weekly cycle of eMedNY processing to determine if eMedNY reasonably assures accurate Medicaid claims processing, including payments to authorized providers. The audit steps verify that: Medicaid payments are supported by approved claims; updated provider reimbursement rates are correctly input to eMedNY; changes to eMedNY system edits are approved properly; 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 proper payments can be made to providers. If necessary, payments to providers can be suspended until satisfactory resolutions of the exceptions have 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 initial audit report, which was issued on July 31, 2008, determined whether the Department's eMedNY System reasonably assured that Medicaid claims were submitted from approved providers, were accurately processed, and resulted in correct provider payments. Our audit of 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.

We did, however, have one reportable finding which required prompt action by the Department. We identified and prevented an overpayment (\$84,950) that resulted when eMedNY processed a particular claim for \$85,808, but the correct amount was only \$858. This occurred because eMedNY did not have the edit logic necessary to verify that claims reflected the correct amounts of third party insurance coverage. Specifically, in certain instances, eMedNY did not reject claims with negative amounts of third party insurance indicated. We had previously reported this problem, which had existed since the implementation of eMedNY. The objective of our follow-up was to assess the extent of implementation as of November 24, 2009, of the one recommendation included in our initial audit report.

Summary Conclusions and Status of Audit Recommendation

We found that Department officials properly addressed the problem we identified in the initial report, and consequently, significant amounts of improper Medicaid payments have been and will be prevented. The recommendation from our initial report was implemented.

Follow-up Observation

Recommendation

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

Status - Implemented

Agency Action - On March 16, 2009, the Department activated edit #02098 - Medicare/Other Insurance Amounts Invalid. This edit denies payment when the amount of third party insurance for a claim is determined to be invalid. As of November 24, 2009, this new edit had denied 8,331 claims totaling about \$13.8 million.

The major contributors to this report were Karen Bogucki, Earl Vincent, and Warren Fitzgerald.

We thank the management and staff of the Department for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Brian E. Mason
Audit Manager

cc: Mr. Stephen Abbott, DOH
Mr. Thomas Lukacs, DOB