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COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 13, 2012

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

Re: Report 2011-F-15

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, *Inappropriate Medicaid Payments for Recipients With Multiple Identification Numbers* (Report 2008-S-163).

Background, Scope and Objective

The Department administers the State's Medicaid program, which provides a wide range of medical services to those who are economically disadvantaged and/or have special health care needs. For the fiscal year ended March 31, 2011, New York Medicaid had more than five million enrollees and costs totaled approximately $53 billion. To obtain Medicaid benefits, individuals can apply for benefits with their respective local social services district (local district). New York has 58 local districts representing a county in all areas of the State except in New York City. The five boroughs of New York City comprise one local district overseen by the New York City Human Resources Administration (HRA).

The Department provides oversight and establishes guidelines for local districts regarding Medicaid eligibility. Local districts are responsible for determining whether individuals applying for Medicaid in their county meet eligibility requirements and if so, local districts assign eligible Medicaid recipients unique identification numbers. A recipient's identification number is a critical factor in determining the appropriateness of Medicaid payments made by the Department.

Local districts also determine eligibility for several other social welfare benefits and programs such as cash assistance, food stamps and the home energy assistance program. The eligibility rules for these programs vary, but generally a person eligible for cash assistance or food stamps will also be eligible for Medicaid. Thus, a local district worker may make several

eligibility determinations on behalf of one individual. However, the same identification number is used across all public and medical assistance programs to control the delivery of benefits and payments to benefit providers. In all instances, a recipient's eligibility information and identification number are transmitted to and maintained by the State's eligibility system, known as the Welfare Management System (WMS).

The WMS maintains and processes information relating to individuals who have applied for, and have been determined eligible for, benefits under all assistance programs that local districts administer. The New York State Office of Temporary and Disability Assistance (OTDA) has primary responsibility for administering WMS. All eligibility information transmitted by local district workers is ultimately aggregated by OTDA and communicated to the Department's Medicaid claims payment system, eMedNY. The Department uses eMedNY to make Medicaid payments to participating medical service providers or participating managed care plans.

Our initial audit report, which was issued on December 22, 2009, examined whether the Department ensured local districts properly assigned identification numbers to individuals eligible for Medicaid and if inappropriate Medicaid payments were made because Medicaid recipients were assigned multiple identification numbers. For the three years ended December 31, 2008, we identified over $53 million in improper Medicaid payments for recipients who had multiple identification numbers. These overpayments occurred primarily because local district officials assigned 25,950 Medicaid recipients more than one identification number, and the Department made separate Medicaid payments under each identification number. We identified several circumstances which led to the assignment of multiple Medicaid identification numbers to recipients. The objective of our follow-up was to assess the extent of implementation, as of June 30, 2012, of the four recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

Department officials made some progress in correcting the problems we identified in the initial report and recovered $1,680,000 in overpayments. However, further actions are still needed. All four of the prior audit's recommendations were partially implemented.

Follow-up Observations

Recommendation 1

Formally advise HRA and county social services agencies of common situations, such as recipient relocation (particularly from one county to another) and the enrollment of an infant before birth, which can increase the risk of the assignment of multiple identification numbers to individual Medicaid recipients.

Status - Partially Implemented

Agency Action - At the time of our follow-up review, the Department had not formally advised HRA and county social services agencies of common situations which could increase the

risk of the assignment of multiple identification numbers to individual recipients. However, in August 2012, the Department plans to issue a General Information System communication to all local districts including HRA. The General Information System notice will reinforce the need to avoid the assignment of duplicate recipient identification numbers and to use WMS cross-county inquiry screens to identify applicants that already have a recipient identification number. Department officials are also seeking a contractor to train HRA and local district staff to assign recipient identification numbers properly. Further, Department officials told us that, in 2011, HRA management formally advised staff to be aware of common situations (such as recipient relocation and the enrollment of infants before birth) that can increase the risk of assigning multiple identification numbers to individual recipients.

Recommendation 2

Formally advise HRA and county social services agencies of the various WMS functionalities (such as cross-machine inquiry screens) that can be used to determine if a Medicaid applicant already has a program identification number.

Status - Partially Implemented

Agency Action - At the time of our follow-up review, the Department had not formally advised HRA and county social services agencies of the various WMS functionalities that could be used to determine if a Medicaid applicant already has an identification number. However, as detailed in the Agency Action to Recommendation 1, the Department plans to advise all local districts about the use of WMS cross-county inquiry screens to identify applicants and additions to cases that already have a recipient identification number. Further, in 2011, HRA officials formally advised their staff of the functionality of the WMS cross-county inquiry screens.

Recommendation 3

Formally require HRA and county social services agencies to use available WMS functionalities to determine if an applicant already has a program identification number. Periodically verify that such determinations are taking place.

Status - Partially Implemented

Agency Action - At the time of our follow-up review, the Department had not formally required HRA and county social services agencies to use available WMS functionalities to determine if an applicant already had a Medicaid identification number. As mentioned previously, the Department plans to remind all local districts of the ability to use WMS cross-county inquiry screens to identify applicants that already have an identification number. Because the Department requirement to use WMS capabilities to avoid the issuance of duplicate identification numbers had not gone into effect (at the time of our follow-up), Department officials had not verified that localities were making such determinations. Also, Department officials advised us that HRA management now

requires staff to use WMS to verify that a relocated Medicaid applicant does not have an active case in his/her previous district of residence.

Recommendation 4

Investigate the improper Medicaid payments identified in this report and recover them to the extent possible. At a minimum, the Department should recover the $2.4 million in duplicate payments made to single managed care plans for individual recipients.

Status - Partially Implemented

Agency Action - As of June 2012, the Office of the Medicaid Inspector General (OMIG) had recovered $1.68 million of the $2.4 million in duplicate payments made to single managed care plans for individual recipients. The OMIG was also reviewing an additional $472,000 of questionable payments, and the remaining $244,000 had yet to be examined.

In addition to the aforementioned duplicate payments, our original audit also identified $10.7 million in duplicate payments made to different managed care plans for the same recipient. As a result of our audit, in October 2009, the Department added a provision to its managed care contracts that provides for the recovery of duplicate payments involving multiple managed care plans. Accordingly, OMIG officials stated they plan to recover such overpayments from and subsequent to October 2009.

Our original audit also identified $39.9 million in improper payments, involving managed care plans and medical service providers, for individual recipients with multiple identification numbers. In March 2012, Department and OMIG officials met to discuss approaches to recover this type of duplicate payment. Officials determined the Department must develop a policy for OMIG to use as the basis for recovering such payments. After the Department establishes who (the managed care plan or the provider) is responsible for the duplicate payment, OMIG will take steps to recover it.

Major contributors to this report were Karen Bogucki and Donald Collins.

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,

Andrea Inman
Audit Manager

cc: Stephen Abbott, Department of Health
       Stephen LaCasse, Department of Health
       James Cox, OMIG
       Thomas Lukacs, Division of the Budget