STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 9, 2011

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

Re: Report 2011-F-4

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 to implement the recommendations contained in our audit report, *Controls Over eMedNY Edit Changes* (Report 2007-S-139).

Background, Scope and Objective

New York State's Medicaid program is administered by the Department of Health (Department). Medicaid provides health care services to low-income individuals who meet the program's eligibility requirements. Medicaid is the State's most costly program, with expenditures totaling about $53 billion annually for medical services provided to almost 5.2 million recipients. Medicaid pays health care providers who submit claims to eMedNY, the Department's automated claims processing and information reporting system. Annually, eMedNY pays about 330 million Medicaid claims submitted by approximately 60,000 health care providers.

When eMedNY processes Medicaid claims, they are subject to various automated edits. Generally, these edits are categorized as system edits and combination edits. System edits test for specific circumstances. A system edit could, for example, verify the eligibility of a Medicaid recipient or determine whether a claim was already paid. At the time of our audit, eMedNY had 627 active system edits. Combination edits test claims for frequency limits, quantity limits, and service conflicts. A combination edit could, for example, determine whether a recipient had already reached the limit for eyeglasses and deny claims in excess of the limit. At the time of our audit, eMedNY had 5,444 active combination edits.

When an edit is triggered for a claim, eMedNY assesses certain claim data (and, in some cases, data from related claims) to determine whether the applicable Medicaid criteria (e.g., the frequency limit for a particular service) have been met. If the criteria have been met, the edit

directs eMedNY to continue processing the claim. If the criteria have not been met, eMedNY looks to the claim's "edit status." The edit status instructs eMedNY to deny or suspend the claim or take certain other actions, such as producing a special report. Often, denied or suspended claims can be subjected to manual reviews. Routinely, eMedNY produces management reports which summarize the activities of eMedNY's various system edits. Because Medicaid program changes occur often, the Department must ensure that corresponding changes to eMedNY system edits are made timely and accurately. According to Department officials, most changes to system edits result from changes in law or policy and efforts to correct problems in claims processing.

Our initial audit report, which was issued on December 10, 2008, addressed the adequacy of Department management controls over changes to eMedNY system edits. We found that the Department's governance of eMedNY edit changes was weak. Specifically, we determined that some edit changes were not properly coordinated among responsible Department units, and sometimes, changes were not authorized appropriately. Certain edit changes were not implemented as intended, and the Department did not adequately monitor edits after activation to ensure they functioned properly. Further, certain edits were not terminated when they were no longer needed. Also, we identified $437,655 in apparent Medicaid overpayments that eMedNY did not prevent and $5.5 million in Medicaid payments that were not subjected to sufficient scrutiny because of errors in the edit management process. The objective of our follow-up was to assess the extent of implementation as of July 1, 2011, of the six recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

Department officials have made progress in correcting the problems we identified in the initial report. However, improvements are still needed. Of the six prior audit recommendations, two recommendations have been implemented, three recommendations have been partially implemented, and one recommendation has not been implemented.

Follow-up Observations

Recommendation 1

Establish an appropriate system of IT Governance for all Office of Health Insurance Program units to follow for eMedNY edit changes by developing a structured and formalized process for the format, prioritization, approval, and documentation of edit change requests, and for the monitoring of the edits after the changes have been made. Develop written guidance for these control activities, and ensure that the individuals who are responsible for the activities clearly understand their responsibilities.

Status - Implemented

Agency Action - In June 2008, Department and Office of the Medicaid Inspector General (OMIG) officials convened a work group to evaluate eMedNY's overall edit control system and to implement improvements. In January 2009, the work group completed a report on their findings and a manual with guidelines for edit controls (guidelines

manual). The guidelines manual prescribes the procedures to format, prioritize, approve and document edit change requests. It also included procedures for monitoring edits after changes were made to them. In April 2009, Department officials distributed the guidelines manual to various agency staff, including those responsible for eMedNY edit control activities.

Recommendation 2

Perform a formal risk assessment for the eMedNY edit change process, ensure that controls have been established to mitigate all the identified risks, and update the assessment periodically.

Status - Partially Implemented

Agency Action - The activities of the Department and OMIG work group included a formal risk assessment of the eMedNY edit change process. Further, the work group's 2009 report identified risks in the edit change process, and the guidelines manual included procedures to mitigate those risks. However, the Department has not formally updated the assessment since the guidelines manual was distributed to staff in April 2009.

Recommendation 3

Provide Program Unit staff with formal training in the edit process and in the use of available eMedNY tools for monitoring edit performance.

Status - Not Implemented

Agency Action - As previously noted, the Department distributed the edit controls guidelines manual to program staff in 2009, and officials directed staff to follow the manual's procedures. However, officials did not provide formal training in the edit process and the use of eMedNY system tools to monitor edit performance.

Recommendation 4

Either separate the duties involved in implementing combination edits or develop compensating controls to reduce the risk.

Status - Implemented

Agency Action - The guidelines manual prescribed new procedures to reduce the risk of problems with the implementation of combination edits. Specifically, the manual requires a requester to complete a form describing combination edit development or changes. Once completed, the edit development/change form is sent to a designated Department official for formal review and approval. The approver can submit the proposed edit to eMedNY system personnel for development and testing or return it to the requester for modification as needed.

Recommendation 5

Develop a process for identifying and terminating obsolete edits.

Status - Partially Implemented

Agency Action - Based on a review completed in May 2010, Department staff terminated a group of obsolete combination edits on the eMedNY system. However, the Department has not developed a formal standard process to periodically identify and terminate obsolete combination or system edits.

Recommendation 6

Recover the $437,655 in Medicaid overpayments identified by our audit, and determine whether any of the $5.5 million that was paid on the clinic claims should be recovered.

Status - Partially Implemented

Agency Action - OMIG officials recovered $37,458 of the $437,655 in questionable payments we identified, and they advised us that most of the remaining $400,197 was allowable for several reasons, including retroactive Medicaid eligibility. In addition, the OMIG is reviewing $3.8 million (of the $5.5 million) in clinic claim payments we identified as potentially recoverable. With regard to the remaining $1.7 million in clinic payments, the Attorney General is investigating one provider who received about $1.3 million, and OMIG officials do not plan to pursue the balance consisting of relatively smaller payments to numerous providers.

Major contributors to this report were Karen Bogucki and Earl Vincent.

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,

Brian E. Mason
Audit Director

cc: Mr. Stephen Abbott, DoH
        Mr. Stephen LaCasse, DoH
        Mr. Thomas Lukacs, DoB