

NEW YORK
state department of
HEALTH

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Acting Commissioner of Health

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Executive Deputy Commissioner

December 11, 2014

Mr. David Fleming, Audit Manager
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, NY 12236-0001

Dear Mr. Fleming:

Enclosed are the Department of Health's comments on the Office of the State Comptroller's Follow-Up Audit Report 2014-F-5 entitled, "Unnecessary Medicaid Payments for Children at Voluntary Agencies" (2010-S-47).

Thank you for the opportunity to comment.

Sincerely,



Sally Dreslin, M.S., R.N.
Executive Deputy Commissioner

Enclosure

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**Department of Health
Comments on the
Office of the State Comptroller's
Follow-Up Audit Report 2014-F-5 entitled,
Unnecessary Medicaid Payments for
Children at Voluntary Agencies (2010-S-47)**

The following are the Department of Health's (Department) comments in response to the Office of the State Comptroller's (OSC) Draft Audit Report 2014-F-5 entitled, "Unnecessary Medicaid Payments for Children at Voluntary Agencies (2010-S-47)."

Background

New York State is a national leader in its oversight of the Medicaid Program. Through the efforts of the Department of Health (Department) and the Office of the Medicaid Inspector General (OMIG), over the last five years, New York State alone accounted for 54.9 percent of the national total of fraud, waste, and abuse recoveries. These results reflect a trend of increased productivity and enforcement. Over the last three calendar years, the administration's Medicaid enforcement efforts have recovered over \$1.73 billion, a 34 percent increase over the prior three-year period.

Under Governor Cuomo's leadership, the Medicaid Redesign Team (MRT) was created in 2011 to lower health care costs and improve quality care for its Medicaid members. Since 2011, Medicaid spending has remained under the Global Spending Cap, while at the same time providing health care coverage to an additional 840,000 fragile and low income New Yorkers. Additionally, Medicaid spending per recipient has decreased to \$7,929 in 2013, consistent with levels from a decade ago.

Comments

In 2011, New York State's MRT recommended that all children and adolescents being served in the foster care system should be enrolled in Medicaid Managed Care (MMC). State budget laws adopted these recommendations in 2011, and received approval from the Centers for Medicare and Medicaid (CMS) to begin mandatory enrollment, effective April 1, 2013. The first transition of foster care children into MMC included the non-agency based children living in the community placed by the Local Department of Social Services and was implemented in upstate New York April 1, 2013. Going forward the remaining population of foster care children throughout the State that are served by the authorized voluntary foster care (VFC) agencies will be transitioned from fee-for-service to MMC in January of 2016. The Department is committed to facilitating a smooth transition to MMC for the authorized VFC agencies serving these children and adolescents, including foster care children enrolled in 1915(c) Home and Community Based (HCBS) waiver programs and the shift of services provided under the Waiver programs (Bridges-to-Health [B2H]) to MMC.

Recommendation #1

Formally assess the cost-effectiveness of the Daily Rate reimbursement method. Determine if this method should be modified or if a different reimbursement mechanism should be applied for health services for children placed in voluntary agencies. The assessment should also include consideration of alternatives for paying the costs of pharmaceuticals for such children.

Status - Implemented

Agency Action – The Department has taken steps to address the cost-effectiveness of the Daily Rate reimbursement method. In 2013, several Department officials participated in a study commissioned by the Council of Family and Child Care Agencies (Council) which focused on the health and mental health needs of children and youth in New York's foster care system. In October 2013 the Council released their findings from the study in a report entitled *Raising the Bar for Health and Mental Health Services for Children in Foster Care: Developing a Model of Managed Care*. Several concerns were identified in the study, including that Medicaid expenditures for children in foster care were exponentially higher than the general pediatric Medicaid population and there was a lack of information about the services and outcomes for these children. The study endorsed reform of the current reimbursement systems and methodologies and made several recommendations to address the deficiencies identified in the study. Department officials stated that because many of the Council's recommendations focused on a system of managed care strategies, they will wait to implement the recommendations in the study until the foster care population is transitioned into managed care.

Response #1:

The Department confirms our agreement with this report.

Recommendation #2

Provide voluntary agencies with formal guidance for the cost-effective acquisition of medical care for children in their custody.

Status - Partially Implemented

Agency Action – Department officials recognized that the current methodology for providing medical care to the foster care population is more costly than the methodology for services provided to the general pediatric population. Presently, however, officials are awaiting the transition of the foster care population to managed care before implementing broad strategies to improve the cost-effectiveness of services for this population. In the meantime, the Department provided voluntary agencies with formal guidance on the pertinent Medicaid rules intended to prevent improper payments for medical care provided to children in their custody. Specifically, the Department sent correspondence, including letters in November 2011 and July 2013, reminding voluntary agencies that health care providers must submit their claims directly to those agencies (and not to the Medicaid program).

Response #2:

In the 2014-2015 Medical Per Diem Dear Administrator Letter (DAL) sent to all Child Care Agencies on September 3, 2014, the Department included advice that every effort should be made to be cost effective in the acquisition of medical care for children in their care.

On an as needed basis, this advice is repeated and supplemented with additional information specific to a particular agency. It is the intention of the Department to include this language in all Child Care Medical Per Diem rate DAL's until all children transition to MMC.

After the transition to MMC, VFC agencies will no longer be purchasing medical services for children in their care.

Recommendation #3

Formally remind voluntary agencies to inform health care providers to submit claims directly to the voluntary agencies for medical services and drugs which are covered by the Daily Rate.

Status – Implemented

Agency Action – Along with the Office of Children and Family Services and the Office of Mental Health, Department officials conducted a webinar for voluntary agencies in October 2011 to provide information about services covered by the Daily Rate and the requirement for health care providers to submit claims for such services directly to the voluntary agencies. Further, as previously noted, the Department sent letters to the voluntary agencies to remind them that health care providers must submit claims directly to the agencies (and not to Medicaid).

Response #3:

The Department confirms our agreement with this report.

Recommendation #4

Formally remind local social services districts to ensure that the Principal Provider File is maintained in a complete, accurate and timely manner for all children placed in voluntary agencies. Monitor the Principal Provider File to the extent practical and cost effective to help to ensure its reliability.

Status – Implemented

Agency Action – The Department's Division of Health Reform and Health Insurance Exchange Integration issued guidance to local districts on the use and maintenance of the Principal Provider File (or PPF, which shows the identity and dates of placement for foster care children placed in voluntary agencies). The guidance, which was issued on two separate occasions (May 2011 and

August 2012), included instructions for maintaining the PPF in an accurate and timely manner, and clarified who is responsible for ending the principal provider when a child is no longer in a voluntary agency. The Department has also taken steps to monitor the PPF. For instance, the Department has identified recipients over the age of 21 who were still active in a voluntary agency, but who should have been removed from the agency because they aged out. For these cases, officials contacted the local districts and instructed them to review the cases and take the appropriate action to correct the PPF.

Response #4:

The Department confirms our agreement with this report.

Recommendation #5

Ensure that eMedNY contains the necessary edits and file interfaces to prevent claims from being paid directly to providers when such claims are covered under the Daily Rate for voluntary agencies.

Status – Not Implemented

Agency Action – The Department planned to initiate a project to modify the eMedNY system to prevent the payment of fee-for-service claims that are covered by the Daily Rate. However, as of July 3, 2014, the Department had not started the project. Department officials stated they postponed the eMedNY system enhancements in anticipation of the foster care population transitioning to a managed care payment methodology.

Response #5:

Department staff have begun the process of reviewing the documents that were generated in the recent attempt to modify edit #286. Bearing in mind that children in foster care are scheduled to transition to MMC in January, 2016, and that the current eMedNY system is scheduled to be replaced by the Medicaid Administrative System, management in the Department will have to seriously assess whether the resources and the time necessary to bring about a modification of edit #286 which was a feature of the Department's Medicaid Management Information System prior to eMedNY would be appropriate.