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COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 19, 2006

Antonia C. Novello, M.D., M.P.H., Dr. P.H.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Re: Duplicate Medicaid Payments for
Outpatient Services
2006-S-73

Dear Dr. Novello:

According 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 audited Medicaid claims for day habilitation services and certain clinic services performed in diagnostic and treatment centers during the five year period ended August 31, 2006.

A. Background

The New York State (State) Department of Health (Department) administers the State's medical assistance program (Medicaid), which was established under Title XIX of the federal Social Security Act to provide needy people with medical assistance. In New York State, this program is funded jointly by the federal, State, and local governments. Its management information and claims processing functions are handled through the State's eMedNY system, which the Department implemented on March 24, 2005.

Under the Medicaid Home and Community Based Services program, recipients with a wide range of developmental disabilities receive day habilitation services including travel and educational activities, volunteerism, and recreational activities. Medicaid pays the day habilitation providers an all-inclusive daily rate for these services which are provided in non-residential settings for at least four hours a day. Certain diagnostic and treatment centers provide recipients with methadone maintenance and dialysis services. Medicaid pays these diagnostic and treatment centers an all-inclusive weekly rate for methadone maintenance services and an all-inclusive monthly rate for dialysis services.

According to the Department's Medicaid billing policies, only one claim can be billed for a recipient for any all-inclusive daily, weekly, or monthly service. During claims processing, eMedNY checks for duplicate claims by comparing several claim fields on the current claim to the same claim fields on previously paid claims.

B. Audit Scope, Objective and Methodology

We audited Medicaid claims for day habilitation and certain other outpatient services provided in diagnostic and treatments centers during the five year period ended August 31, 2006. The objective of our audit was to determine if Medicaid providers billed for their services according to the Department's policies.

We did our audit according to generally accepted government auditing standards. To accomplish our audit objective, we interviewed Department officials, reviewed applicable sections of federal and State laws and regulations, and examined the Department's relevant Medicaid payment policies and procedures. We also extracted paid claims from the Department's Medicaid payment files and verified the accuracy of the 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, several of which are performed by the Division of State Services. 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, some of whom have minority voting rights, to certain boards, commissions, and public authorities. 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.

C. Results of Audit

We identified 406 day habilitation providers billing and receiving payment for services previously paid by Medicaid. As a result, Medicaid may have potentially overpaid as much as \$6.4 million to these providers. In each instance, two different providers were able to bill Medicaid for the same recipient and same daily service. In addition, we identified 312 diagnostic and treatment centers billing and receiving payment for weekly or monthly services Medicaid had previously paid. In each instance, two different diagnostic and treatment centers were able to receive payment for the same recipient and same service. As a result, these providers may have potentially received overpayments totaling \$2.4 million. These potential overpayments occurred because the Department did not have edits and controls in eMedNY to detect duplicate claims submitted by two different providers for the same service to the same Medicaid recipient.

Recommendations

- 1. Review the \$8.8 million duplicate payments we identified and recover overpayments where appropriate.*
- 2. Implement eMedNY controls to prevent these types of duplicate payments from occurring.*

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

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Health shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Major contributors to the report include Warren Fitzgerald and Earl Vincent. We wish to thank the management and staff of the Department of Health for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Sheila A. Emminger
Audit Manager

cc: Lisa Ng, Division of the Budget
Tom Howe, Department of Health



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

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner

Dennis P. Whalen
Executive Deputy Commissioner

December 5, 2006

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

Dear Ms. Emminger:

Enclosed are the Department of Health's comments on the Office of the State Comptroller's (OSC) draft audit report (2006-S-73) on "Duplicate Medicaid Payments for Outpatient Services".

Thank you for the opportunity to comment.

Sincerely,



Dennis P. Whalen
Executive Deputy Commissioner

Enclosure

cc: Mr. Charbonneau
Mr. Griffin
Mr. Howe
Ms. Kagan
Ms. Napoli
Ms. O'Connor
Mr. Reed
Mr. Seward
Mr. Wing

**Department of Health
Comments on the
Office of the State Comptroller's
Draft Audit Report 2006-S-73 on
"Duplicate Medicaid Payments
for Outpatient Services"**

The following are the Department of Health's (DOH) comments in response to the Office of the State Comptroller's (OSC) draft audit report 2006-S-73 on "Duplicate Medicaid Payments for Outpatient Services."

Recommendation #1:

Review the \$8.8 million duplicate payments we identified and recover overpayments where appropriate.

Response #1:

The Office of Medicaid Inspector General will evaluate these payments and recover as appropriate.

Recommendation #2:

Implement eMedNY controls to prevent these types of duplicate payments from occurring.

Response #2:

We will work with policy and program staff to develop needed improvements in the containment controls.