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COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

October 10, 2007

Richard F. Daines, M.D.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Re: Report 2007-F-18

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 Department of Health officials to implement the recommendations contained in our audit report, *Medicaid Claims Processing Activity March 24, 2005 through September 30, 2005* (Report 2005-S-31).

Background, Scope and Objective

The Department of Health (Department) administers the medical assistance program (Medicaid) in New York State (State), which was established under Title XIX of the federal Social Security Act to provide needy people with medical services. In New York, 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. During its first six months of operation, the new system processed 193 million Medicaid claims valued at \$20.2 billion.

Our initial audit report, which was issued on August 21, 2006, determined whether Medicaid payments by the Department to medical service providers were appropriate and supported by edited and approved claims. For the six-month period that ended on September 30, 2005, our initial audit identified Medicaid overpayments totaling almost \$2.3 million, of which more than \$403,000 was actually returned to the Department. We recommended that the Department investigate the nearly \$1.9 million in remaining overpayments, and make recoveries where appropriate.

The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess as of September 21, 2007, the extent of implementation of the four recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

We found that Department officials have implemented three of the four recommendations from our initial audit report. The remaining recommendation is no longer applicable.

Follow-up Observations

Recommendation 1

Investigate and recover the additional \$1.8 million in Medicaid overpayments not reported by the provider we identified.

Status - Implemented

Agency Action - The Department, through the Office of the Medicaid Inspector General (Office), has already recouped \$1.6 million of the \$1.8 million from the provider. The Office determined an additional \$250,000 was overpaid to the provider based on data from our initial audit. The Office issued a draft report to the provider explaining the additional findings. The collection process will begin 20 days after the draft is issued as a final report.

Recommendation 2

Investigate and recover any overpayments of orthodontic claims of about \$50,000 paid to the 16 other dental clinics we identified.

Status - Implemented

Agency Action - The Office recouped nearly \$20,000 in overpayments from five providers identified in our initial audit through direct reimbursements, future payment withhold agreements and voided claims. Two providers adequately justified about \$5,000 in payments. The Office was unable to recoup the balance of inappropriate payments from the remaining providers. These providers either no longer billed Medicaid, were below the Office's threshold for review (providers had less than \$1,000 in overpayments) or were under review by the Office of the New York State Attorney General.

Recommendation 3

Investigate and recover any overpayments of orthodontic claims made before December 2000, researching as far back as Department statutes permit.

Status - Not Applicable

Agency Action - The recommendation is no longer applicable according to Title 18 of the New York Codes, Rules and Regulations. These regulations stipulate that information regarding claims for payment is subject to audit for a period of six years only.

Recommendation 4

Recover Medicaid's overpayments of \$16,862 for transportation.

Status - Implemented

Agency Action - The Office prepared a draft report to providers seeking reimbursement for all the overpayments identified in our audit. The collection process will begin 20 days after the draft is issued as a final report.

Major contributors to this report were Andrea Inman and Daniel Towle.

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

Very truly yours,

Sheila A. Emminger
Audit Manager

cc: Lisa Ng, Division of the Budget
Stephen Abbott, Department of Health
Steven Sossei, OSC Division of State Government Accountability