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OFFICE OF THE STATE COMPTROLLER

December 18, 2008

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

Re: Report 2008-F-24

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 officials of the Department of Health (Department) to implement the recommendations contained in our audit report, *Medicaid Payments To Transportation Providers While Recipients Were Hospitalized* (Report 2006-S-78).

Background, Scope and Objective

The Department administers the Medicaid program which was established under Title XIX of the federal Social Security Act to provide needy people with medical assistance. The 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.

If a Medicaid recipient needs medical services, but cannot get to those services, federal regulations require that transportation be provided to the recipient. Recipients generally use transportation services to travel from their residence or a medical facility to another medical facility for services. When a hospital cannot provide certain services, patients may be transported to nearby facilities capable of providing the needed care. In these cases, the hospitals are required to reimburse the transportation providers for their services. The Medicaid payment rate for hospitals includes payment for all medical procedures and services, including transportation services, regardless of where the services were performed. According to Department regulations, Medicaid will not pay separately for transportation services when those services are included in a hospital's Medicaid payment rate. The transportation providers should not separately bill Medicaid for their services provided to hospitalized recipients.

Our initial audit report, which was issued on August 28, 2007, examined Medicaid claims submitted by transportation providers and processed by the Department to determine whether New York State's Medicaid program made inappropriate payments to transportation providers while recipients were hospitalized. Our report identified over \$4 million in inappropriate Medicaid payments to transportation providers while recipients were hospitalized. The objective of our follow-up was to assess the extent of implementation, as of October 31, 2008, of the four recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Department officials have made some progress in correcting some of the problems we identified. However, additional improvements are needed. Of the four prior audit recommendations, one recommendation has been implemented, two have been partially implemented, and one recommendation has not been implemented.

Follow-up Observations

Recommendation 1

Review the \$4 million in inappropriate transportation payments we identified and recover overpayments where appropriate.

Status - Partially Implemented

Agency Action - The Office of the Medicaid Inspector General (OMIG) has completed audit reviews for claims made during the period of 1999-2002 (which includes approximately one year of our initial audit's scope) and recovered \$1.9 million of inappropriate payments. OMIG officials have only recently undertaken steps to identify overpayments to transportation providers that submitted claims during the period of 2003-2006 (the remainder of our initial audit's scope). Therefore, OMIG officials have not begun activities to recover overpayments to these identified transportation providers.

Recommendation 2

Instruct transportation providers on the appropriate way to bill transportation services provided to patients that are hospitalized.

Status - Implemented

Agency Action - In response to our report, the Department published instructions for providers in a Medicaid Update that clarified who pays for the transportation of hospital patients. The Department also updated the Transportation Manual Policy Guidelines to explain to transportation providers that they should not bill Medicaid directly, but instead they should be reimbursed by the hospitals.

Recommendation 3

Implement appropriate edits to the eMedNY system to prevent these overpayments from occurring.

Status - Partially Implemented

Agency Action - On July 7, 2007, the Department implemented Edit 2062 to deny transportation claims billed while a recipient is hospitalized. In order for this edit to function correctly, the hospital claim must have been processed by eMedNY before the transportation claim is submitted to eMedNY for processing. As of August 8, 2008, this edit denied transportation claims totaling \$535,553.

The Department implemented Edit 2063 on June 12, 2007. Edit 2063 identifies and pays inpatient claims that are processed subsequent to transportation claims paid for services provided to the same recipient during the dates of the hospital stay. To achieve the benefit of Edit 2063, the Department needs to take additional steps, including identifying the transportation claims that correspond to the inpatient claims, reviewing the appropriateness of the transportation claims, and recovering inappropriate payments as warranted. Since the Edit 2063's implementation in June 2007, the Department has not reviewed the corresponding transportation claims identified by this edit to determine whether the transportation payments were appropriate.

Recommendation 4

Improve the timeliness of recovery activities related to inappropriate transportation payments.

Status - Not Implemented

Agency Action - To date OMIG has not performed any annual inpatient crossover reviews of inappropriate payments to transportation providers. OMIG officials stated that they plan to begin such reviews in the near future, but were unable to provide evidence supporting the planned reviews.

Major contributors to this report were Karen Bogucki, Danielle Rancy, Robert Horn and Benjamin Felts.

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,

Sheila A. Emminger
Audit Manager

cc: Tom Lukacs, Division of Budget
Stephen Abbott, DOH