



Department of Health

Inappropriate Medicaid Payments for Recipients with Multiple Identification Numbers

Report 2008-S-163



Thomas P. DiNapoli

Table of Contents

	Page
Authority Letter	5
Executive Summary	7
Introduction.....	9
Background	9
Audit Scope and Methodology	10
Authority.....	11
Reporting Requirements	11
Contributors to the Report	11
Audit Findings and Recommendations.....	13
Improper and Unnecessary Payments	13
Recommendations	16
Agency Comments	19
State Comptroller’s Comment.....	23

State of New York Office of the State Comptroller

Division of State Government Accountability

December 22, 2009

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

Dear Dr. Daines:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the Department of Health entitled Inappropriate Medicaid Payments for Recipients with Multiple Identification Numbers. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objectives

Our objectives were to determine whether the Department of Health ensures that local social services districts properly assign identification numbers to individuals eligible for Medicaid and if inappropriate Medicaid payments were made as a result of Medicaid recipients assigned multiple identification numbers.

Audit Results - Summary

For the three years ended December 31, 2008, we identified over \$53 million in improper Medicaid payments for recipients who had multiple identification numbers. These overpayments occurred primarily because local district officials assigned 25,950 Medicaid recipients more than one identification number, and the Department made separate Medicaid payments under each identification number. The Department should review the improper payments we identified and make recoveries, as appropriate, from Medicaid providers.

We identified several circumstances which lead to the assignment of multiple Medicaid identification numbers to recipients. For example, residents can apply to local government officials (at the counties and New York City) for Medicaid and other social welfare services and benefits, as well. If approved, a recipient is assigned a unique identification number that controls the delivery of services and payments to providers for the Medicaid and other public assistance the recipient receives. However, residents who applied for multiple types of services and benefits were sometimes assigned multiple identification numbers, under various benefit programs, by various local officials. In other instances, newborns were assigned two Medicaid identification numbers - one prior to their birth and one after they were born. In addition, certain recipients received additional identification numbers when they moved to a different local district (county or New York City) and re-applied for Medicaid.

Through the State's Welfare Management System (WMS), local district representatives can readily determine if an individual applying for Medicaid or public assistance already has an identification number for such services. However, we found that local representatives often did not make effective use of available WMS tools. Specifically, they often did not conduct WMS inquiries to determine if an applicant already had a Medicaid identification number issued by their own or another locality. Consequently, local representatives were often unaware that certain applicants already had Medicaid identification numbers, and many of these applicants received multiple

Medicaid identification numbers - which led to significant amounts of improper Medicaid claim payments.

We advised Department officials of the improper payments resulting from the assignment of multiple identification numbers to individual recipients. Officials agreed that the State and localities need to strengthen controls to help minimize the risk of assigning multiple identification numbers to recipients. Moreover, officials agreed that significant amounts of improper payments were made, and the Department will take steps to recover duplicative payments to single managed care plans (totaling about \$2.4 million) for recipients with multiple identification numbers.

However, the Department does not investigate and recover overpayments when two or more Medicaid providers (including managed care plans) are paid for the same recipient with multiple identification numbers. According to Department officials, it cannot be readily determined which provider to recover payments from - because each provider assumed risk for the recipients in question. Consequently, the Department will not actively pursue the balance of the improper payments (totaling about \$50.6 million) that we identified. Under these circumstances, it becomes all the more important for local district representatives to perform proper checks of applicants to ensure that multiple identification numbers are not assigned to them – because in most instances, improper Medicaid payments due to duplicative identification numbers will most likely not be recovered.

Our report contains four recommendations for improving Department oversight and local districts' effectiveness in preventing eligible Medicaid recipient's from receiving more than one identification number. In their response to our draft report, Department officials generally agreed with our recommendations and indicated the actions that have been and will be taken to implement them.

This report dated December 22, 2009, is available on our web site at <http://www.osc.state.ny.us>.
Add or update your mailing list address by contacting us at: (518) 474-3271 or
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

Introduction

Background

The Department of Health (Department) administers the State's Medicaid program, which provided medical assistance to about 4.6 million individuals and paid over \$46 billion to Medicaid providers in 2008. To obtain Medicaid benefits, individuals must first apply for benefits with their respective local social services district (local district). New York has 58 local districts representing a county in all areas of the State except in New York City. The five boroughs of New York City comprise one local district overseen by the New York City Human Resources Administration.

The Department provides oversight and establishes guidelines for the local districts regarding Medicaid eligibility. However, local districts are solely responsible for determining whether individuals applying for Medicaid in their county meet eligibility requirements. Local districts are also responsible for assigning eligible Medicaid recipients unique identification numbers. A recipient's identification number is a critical factor in determining the appropriateness of Medicaid payments made by the Department. Each week, the Department's Medicaid claims processing system, eMedNY, uses various automated controls (edits) to detect inappropriate claims and prevent payment. For example, eMedNY has edits that use a Medicaid recipient's identification number to detect duplicate claims for the same recipient. The Department provides local districts with several methods for preventing Medicaid recipients from being assigned multiple identification numbers.

Local districts also determine eligibility for several other social welfare benefits and programs such as cash assistance, food stamps and the home energy assistance program. The eligibility rules for these programs vary, but generally a person eligible for cash assistance or food stamps will also be eligible for Medicaid. Thus, a local district worker may make several eligibility determinations on the behalf of one individual. However, the same identification number is used across all public and medical assistance programs to control the delivery of benefits and payments to benefit providers. In addition, the same local district worker may also enroll Medicaid recipients in Medicaid managed care. In all instances, recipient eligibility information along with the recipient's corresponding identification number is transmitted to, and maintained by the State's eligibility system, referred to as the Welfare Management System (WMS).

The WMS maintains and processes information relating to individuals who have applied for, and have been determined eligible for, benefits under all assistance programs for which local districts are responsible for

administering. At the local district level, WMS was implemented as two systems, the downstate WMS for New York City recipients and the upstate WMS for recipients living in the rest of the State. The New York State Office of Temporary and Disability Assistance (OTDA) has primary responsibility for administering WMS. All eligibility information transmitted by local district workers is ultimately aggregated by OTDA and communicated to the Department's Medicaid claims payment system, eMedNY. The Department uses eMedNY to make Medicaid payments to participating medical services providers or participating managed care plans. When an individual is enrolled in a managed care plan, the plan is paid a monthly premium to provide a comprehensive range of medical services to the enrollee. The managed care plan is paid the monthly premium until the enrollee is no longer eligible for Medicaid or has moved out of the area covered by the plan.

**Audit
Scope and
Methodology**

Our audit objectives were to determine whether the Department ensures that local social services districts properly assign identification numbers to individuals eligible for Medicaid and if inappropriate Medicaid payments were made because Medicaid recipients received multiple identification numbers. Our audit period included the three years ended December 31, 2008.

To accomplish our objectives, we interviewed Department officials, reviewed applicable sections of Federal and State laws and regulations, and examined the Department's relevant policies and procedures. We also visited four local districts (Albany, Nassau, Suffolk, and New York City) and reviewed their procedures for assigning identification numbers to individuals eligible for Medicaid and other public assistance benefits. We selected these local districts because they enrolled the most beneficiaries during our audit period. While at the local districts, we selected a judgmental sample of 157 beneficiaries who were assigned more than one identification number and determined the reasons why. We did not review local districts' practices for determining applicant's Medicaid program eligibility.

In addition, we identified and selected only those Medicaid recipients who had a social security number recorded in the Department's eligibility records. Federal Medicaid regulations generally require applicants to provide a social security number when applying for benefits. Exceptions to this requirement include pregnant woman, newborns born to woman receiving Medicaid, and individuals who qualify for emergency medical assistance. Recipients lacking social security numbers were excluded from our review.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a

reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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. 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 functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed 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.

Reporting Requirements

We provided a draft copy of this report to Department officials for their review and formal comment. We considered the Department's comments in preparing this report and have included them in their entirety at the end of it. Our rejoinder to the Department's comments is included thereafter in our State Comptroller's Comment. Department officials generally agreed with our report's recommendations and indicated the steps that have been and will be taken to implement them.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner 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.

Contributors to the Report

Major contributors to this report include Steven Sossei, Brian Mason, Warren Fitzgerald, Christopher Morris, and Jacqueline Keeys-Holston.

Audit Findings and Recommendations

Improper and Unnecessary Payments

A recipient's identification number is a critical factor in determining the appropriateness of Medicaid payments made by the Department. Each week, the Department's Medicaid claims processing system, eMedNY, uses various automated controls (edits) to detect inappropriate claims and prevent payments. For example, eMedNY has edits that use a Medicaid recipient's identification number to detect duplicate claims for the same recipient.

For the three years ended December 31, 2008, we determined that Medicaid made improper payments totaling about \$53 million on behalf of Medicaid recipients because they had more than one identification number assigned to them. Our analysis of the Medicaid eligibility records identified 25,950 recipients who had more than one identification number. About 18,500 of these recipients received multiple identification numbers from the New York City Human Resources Administration (HRA) alone, and another 7,100 recipients received multiple numbers from the HRA and the counties outside of New York City. The remaining recipients (about 370) received their multiple identification numbers from the counties outside of New York City. We identified these recipients by matching names, social security numbers, and dates of birth.

Our analysis of the improper Medicaid claim payments that corresponded to multiple identification numbers disclosed the following:

- \$39.9 million in payments directly to hospitals and clinics (for inpatient services) when the recipients were also enrolled in managed care plans. Medicaid paid premiums on behalf of these recipients to the managed care plans, and the plans were financially responsible for the hospital and clinic services provided to the recipients. In these cases (involving about 11,800 recipients), the Department paid monthly premiums to the recipient's managed care plan under one identification number and also made payments directly to hospitals and clinics under the recipient's second identification number;
- \$10.7 million in duplicate payments made to different managed care plans for the same recipient. In these cases (involving about 10,300 recipients), the local district enrolled the same person in two different managed care plans under different identification numbers and paid monthly premiums concurrently to both plans; and
- \$2.4 million in duplicate payments made to the same managed care plan for the same recipient. In these cases (involving 3,800 recipients), the local district enrolled the same person twice in the same managed

care plan under different identification numbers and made duplicative monthly premium payments to the plan.

Because complete, accurate, and timely information is critical to determining Medicaid eligibility, the Department and OTDA have various tools and methods to assist local district personnel in making an eligibility determination and assigning an identification number. When a person applies for Medicaid, a local district representative is expected to check WMS to determine if the applicant is already receiving any medical or public assistance benefits and has been assigned an identification number. Local district representatives are provided reports produced by WMS that identify individuals who are enrolled in Medicaid or other assistance programs in their district. Local district personnel can also access WMS eligibility information online. This makes it possible for local district workers to determine if an individual applying for Medicaid in their district is currently enrolled in any medical or public assistance program across the entire State.

However, county and HRA personnel were not consistently using information on WMS and other available tools to update Medicaid's eligibility files. Consequently, some individuals were enrolled in Medicaid on multiple occasions and have two or more identification numbers. Because the identification numbers were different, duplicate claims for the same recipient went undetected by the Department's Medicaid claims processing system (eMedNY) and substantial Medicaid overpayments occurred.

For example, personnel at the New York City Human Resources Administration (HRA) only checked New York City eligibility records when processing Medicaid applications, and consequently, they overlooked the potential enrollment of a prospective recipient elsewhere in the State. During our site visit, we identified a Medicaid recipient who moved to New York City (Queens) from Nassau County and was assigned a second identification number by HRA. This recipient moved less than two miles and was enrolled by HRA in the same managed care organization (used while residing in Nassau County) with a second Medicaid identification number. Consequently, the Department paid concurrent monthly premiums to the managed care organization under both identification numbers. From March 1, 2007 through December 31, 2008, Medicaid paid the plan about \$8,500 for this recipient - which resulted in an overpayment of about \$4,400. (Note: Additional duplicative payments totaling \$1,700 were made for this recipient subsequent to our audit period, between January 1 and May 4, 2009, when the Department deactivated the recipient's Nassau County identification number.)

Furthermore, Department and local officials advised us that it was common practice to establish a Medicaid identification number for a child prior to

the child's birth, if the mother was already receiving Medicaid benefits. This allows for immediate access to medical services for these infants as soon as they are born. However, local representatives often issue a second identification number to these infants after they are born. Furthermore, if the mother applies for other social welfare benefits (for example, food stamps) on behalf of her newborn, local workers often establish another identification number when enrolling the child in these programs. During our review, we identified a child who was assigned a Medicaid identification number by HRA in October, 2004, nearly five months prior to birth (in March, 2005). Thus, at the time of birth, the child was already enrolled in the mother's managed care plan. However, eight months after birth, another identification number was established for the child, and HRA enrolled the child in a different (second) managed care plan. As a result, the Department made unnecessary (duplicate) managed care payments totaling \$3,800 for this child. We identified nearly 3,000 newborns who received duplicate identification numbers from HRA.

Moreover, although the individual cases in question generally corresponded to improper payments of several hundreds to several thousands of dollars, the cumulative impact of nearly 26,000 cases of duplicate identification numbers resulted in improper payments of nearly \$53 million, as noted previously in this report.

We interviewed officials at four local districts (including New York City and Albany, Nassau, and Suffolk Counties) to determine why Medicaid recipients included in our sample were assigned more than one identification number. We determined that local staff usually relied on one WMS report designed to show only eligibility information in their own district (and not the entire State). In New York City, HRA officials informed us that applicants must produce proof of their residence when they apply for Medicaid. Officials added, however, that they had no reason to believe that an applicant who documents his/her current home address could also reside in a different district. Therefore, HRA staff did not investigate an applicant's possible enrollment (and corresponding identification number) from a locality outside of New York City. As noted previously, we identified nearly 7,100 recipients who had identification numbers from New York City and the counties outside of the City. Moreover, based on the site visits we made, we concluded that local personnel were generally unaware of recipients' enrollments in other localities and often enrolled such recipients again (with another identification number).

From Medicaid eligibility records maintained by the eMedNY system, we selected a judgmental sample of 157 Medicaid recipients who were assigned more than one identification number within New York City and Albany, Nassau, and Suffolk Counties. We visited these localities to review pertinent

records and determined that the majority of the inappropriate identification numbers in question could have been prevented with more effective use of the information and tools readily available from WMS. Specifically, through the use of WMS cross-machine inquiry screens (available at the localities), OSC auditors were readily able to identify recipients who were Medicaid eligible and received benefits in more than one locality. However, local representatives were either unaware of these WMS functionalities, or they indicated that they were not formally required to use them.

During the course of our audit, we advised Department officials of the improper payments resulting from the assignment of multiple identification numbers to individual Medicaid recipients. Officials agreed that the State and localities need to strengthen controls over the Medicaid enrollment process to help minimize the risk of assigning multiple identification numbers to recipients. Moreover, officials agreed that significant amounts of improper payments were made, and the Department will take steps to recover duplicative payments to a single managed care plan for a recipient with multiple identification numbers. However, the Department does not investigate and recover overpayments when two or more Medicaid providers (including managed care plans) are paid for the same recipient with multiple identification numbers. According to Department officials, it cannot be readily determined which provider to recover payments from because each provider assumed risk for the recipients in question.

Consequently, the Department will take actions to recover the \$2.4 million in duplicate payments made to the same managed care plan for the same recipient. However, the Department will not actively pursue the balance of the improper payments (totaling about \$50.6 million) that we identified. Under these circumstances, it becomes all the more important for local district representatives to perform proper checks of applicants to ensure that multiple identification numbers are not assigned to them – because in most instances, improper Medicaid payments due to duplicative identification numbers will most likely not be recovered. Further, given the complexity of the Medicaid application process (with 58 local districts making eligibility determinations), stronger Department oversight and monitoring will be essential to help ensure that recipients do not receive multiple identification numbers.

- Recommendations**
1. Formally advise HRA and county social services agencies of common situations, such as recipient relocation (particularly from one county to another) and the enrollment of an infant before birth, which can increase the risk of the assignment of multiple identification numbers to individual Medicaid recipients.

2. Formally advise HRA and county social services agencies of the various WMS functionalities (such as cross-machine inquiry screens) that can be used to determine if a Medicaid applicant already has a program identification number.
3. Formally require HRA and county social service agencies to use available WMS functionalities to determine if an applicant already has a program identification number. Periodically verify that such determinations are taking place.
4. Investigate the improper Medicaid payments identified in this report and recover them to the extent possible. At a minimum, the Department should recover the \$2.4 million in duplicate payments made to single managed care plans for individual recipients.

Agency Comments



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

Richard F. Daines, M.D.
Commissioner

James W. Clyne, Jr.
Executive Deputy Commissioner

December 11, 2009

Brian E. Mason, Audit Manager
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, New York 12236

Dear Mr. Mason:

Enclosed are the New York State Department of Health's comments on the Office of the State Comptroller's draft audit report 2008-S-163 on "Inappropriate Medicaid Payments for Recipients with Multiple Identification Numbers."

Thank you for the opportunity to comment.

Sincerely,



James W. Clyne, Jr.
Executive Deputy Commissioner

Enclosure

Cc: James Sheehan
Robert W. Reed
Deborah Bachrach
Diane Christensen
Nicholas Meister
Stephen Abbott
Ron Farrell
Mary Elwell
Irene Myron
Lynn Oliver

**Department of Health
Comments on the
Office of the State Comptroller's
Draft Audit Report 2008-S-163 on
“Inappropriate Medicaid Payments for Recipients
with Multiple Identification Numbers”**

The following are the Department of Health’s (Department) comments in response to the Office of the State Comptroller’s (OSC) draft audit report 2008-S-163 on “Inappropriate Medicaid Payments for Recipients with Multiple Identification Numbers.”

Recommendation #1:

Formally advise HRA and county social services agencies of common situations, such as recipient relocation (particularly from one county to another) and the enrollment of an infant before birth, which can increase the risk of the assignment of multiple identification numbers to individual Medicaid recipients.

Recommendation #2:

Formally advise HRA and county social services agencies of the various WMS functionalities (such as cross-machine inquiry screens) that can be used to determine if a Medicaid applicant already has a program identification number.

Recommendation #3:

Formally require HRA and county social service agencies to use available WMS functionalities to determine if an applicant already has a program identification number. Periodically verify that such determinations are taking place.

Response #1, #2 and #3:

The Department will issue formal guidance for all local social services districts, including HRA, addressing issues relative to duplicate identification numbers including potential solutions to situations commonly encountered and best practices for ascertaining whether an applicant has an existing identification number. This will include information on the WMS cross-machine inquiry screens function as well as other information regarding eMedNY data that can be used to determine if an applicant already has a program identification number. Since there are more ways than just WMS to obtain needed information, the Department does not agree with the OSC recommendation to *require* use of WMS, although the Department will monitor program data and follow up with individual districts where the information on the number of duplicates indicates potential noncompliance with Department policies. The Department will additionally revise the Access NY application form (DOH-4220) to inquire about any prior public health insurance coverage the applicant may have had, and where relevant and known, to capture the associated identification number. Furthermore, the guidance discussed above will be incorporated into refresher and new worker training sessions for local district staff.

* See State Comptroller’s Comments, page 23.

Recommendation #4:

Investigate the improper Medicaid payments identified in this report and recover them to the extent possible. At a minimum, the Department should recover the \$2.4 million in duplicate payments made to single managed care plans for individual recipients.

Response #4:

The Department agrees and continues to work with the Office of the Medicaid Inspector General and the local social services districts to identify inappropriate payments and seek recoupment through the Retro Disenrollment Project and other program audits.

State Comptroller's Comment

1. We acknowledge the possibility of using methods outside of WMS to determine if a Medicaid applicant had previously obtained a Medicaid identification number. However, in its response, the Department did not identify any specific alternative method or describe how such a method would work. Consequently, until such alternative method is identified and described, we maintain that the Department should require local social service agencies to use available WMS functionalities to determine if Medicaid applicants already have Medicaid identification numbers. Given the tenuous financial position of the State and its localities, it is important that definitive actions be taken to prevent tens of millions of dollars of improper Medicaid payments.