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July 10, 1997

Mr. Brian Wing
Commissioner
Department of Social Services
40 North Pearl Street
Albany, NY 12243

Barbara A. DeBuono, M.D., M.P.H.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Re: Report 97-F-10

Dear Mr. Wing and Dr. DeBuono:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by the Department of Social Services (Social Services) as of May 5, 1997, to implement the recommendations contained in our prior audit report 94-S-72. Our prior report, issued April 14, 1995, reviewed the management controls established by Social Services over Medicaid payments to providers for services to recipients with third-party insurance coverage.

Background

The Medicaid program was established under Title XIX of the Federal Social Security Act to provide medical assistance to needy people. Pursuant to Section 1902-a of the Social Security Act, Social Services is required to identify recipients with private insurance coverage so that third-party insurance resources can be exhausted before Medicaid pays for services. Social Services' regulations require that providers take reasonable measures before billing Medicaid to determine whether third-party insurance sources are liable for the medical care they have provided. Social Services maintains an Electronic Medicaid Eligibility Verification System (EMEVS), which providers can access to determine whether a recipient has insurance resources.

When the provider bills a third-party insurer and the insurer denies the claim, Social Services

instructs the provider to record a zero (zero-fill) in the insurance field(s) on the Medicaid claim form. The zero signifies that the provider billed an insurance company, but that the billed company paid nothing toward the recipient's medical cost. It is possible for providers to zero-fill their Medicaid claims without ever billing other insurers. In 1990, to check for these billings, Social Services implemented the Payment Integrity (PI) system to monitor the zero-filling of private insurance fields on Medicaid claim forms, and to recover Medicaid funds paid as a result of claims that have been improperly zero-filled.

During our audit period, Social Services administered New York's Medicaid program, and used the Medicaid Management Information System (MMIS) to process Medicaid claims and make payments to health care providers for services rendered to recipients. After October 1, 1996, the Department of Health was responsible for administering Medicaid and MMIS.

Summary Conclusion

In our prior audit, we found that Social Services did not adequately ensure that hospitals bill available third-party insurers. We also found that hospitals do not always accurately report the monies they received from other insurers to Medicaid. In addition, we found Social Services' PI system to be inoperative because the system's computer programs needed to be changed to accommodate changes to the MMIS. We also determined that, for the four year period ended December 31, 1993, Medicaid may have overpaid claims totaling $43.4 million, of which $15.6 million represented actual overpayments and $27.8 million represented potential overpayments. Medicaid overpaid these claims because hospitals failed to seek and exhaust other insurance coverage available to Medicaid recipients, or report third-party insurance revenues to Medicaid.

In our follow-up review, we found that Social Services officials have made significant progress in implementing our prior audit recommendations and in recovering the overpayments identified by the audit.

Summary of Status of Prior Audit Recommendations

Social Services officials have fully implemented seven of the nine recommendations. The remaining two recommendations no longer apply; however, officials have taken steps to correct the reported conditions addressed by these recommendations.

Follow-up Observations

Recommendation 1

Review and recover the actual Medicaid overpayments of $15.6 million.

Recommendation 2

Review the potential Medicaid overpayments of $27.8 million and initiate recovery action, where appropriate.

Recommendation 3

Follow up on the 568 Health and Hospital Corporation claims totaling $11.2 million for 1990 and 1991, and initiate recovery action, where appropriate.

Status - Recommendations 1, 2 and 3 are Fully Implemented

Agency Action - Regarding the $54.6 million in actual and potential overpayments we identified during the audit, Social Services officials have instructed Medicaid providers to either submit proof that they billed the appropriate third-party insurer, or bill the recipient's commercial insurer and adjust their Medicaid claims according. In addition, officials have initiated recovery actions against providers who have not complied with Medicaid third-party billing requirements. According to Social Services' records, about $12.6 million has been recovered. Providers have supplied Social Services with documentation identifying $20.3 million in claims denied by the Medicaid recipient's other third-party insurer. Social Services is reviewing the remaining $21.7 million of overpayments.

Recommendation 4

Reinforce the appropriate billing and reporting requirements for obtaining third-party revenues with those providers that received the Medicaid overpayments cited in this report.

Status - Fully Implemented

Agency Action - Social Services officials instructed providers that received the Medicaid overpayments of the proper third-party billing requirements.

Recommendation 5

Examine the feasibility of enhancing EMEVS so that providers can obtain immediate access to all relevant recipients' insurance information, such as policyholder identification, group numbers and insurance company billing addresses.

Status - Fully Implemented

Agency Action - Social Services has proposed enhancing EMEVS to include the policy number of the Medicaid recipient's insurance policy.

Recommendation 6

Assist New York City's HRA in identifying ways to expedite its handling of requests for information about recipient's insurance coverage.

Status - Fully Implemented

Agency Action - Social Services shared the results of our audit with the Human Resources Administration and made several suggestions to improve the handling of provider requests for insurance information.

Recommendation 7

Make the necessary changes to the computer programs to allow operation of the PI system.

Recommendation 8

Use the PI system to monitor "zero-filling" of Medicaid claims for inpatient care.

Status - Recommendations 7 and 8 are No Longer Applicable

Agency Action - Social Services does not use its PI system to monitor zero-filled inpatient hospital claims. The PI system was inoperative at the time of the audit, and was never programmed to monitor inpatient hospital claims. Instead, Social Services has incorporated procedures within the Bureau of Medical Facilities Audit, to review zero-filled hospital claims on a routine basis. These procedures include: (1) tracking all zero-filled hospital claims over a certain amount and requesting documentation of insurance billing information from Medicaid providers; (2) using sampling techniques to review larger volumes of lesser paying claims; and, (3) matching Medicaid claims with Medicare coverage information from the Federal Health Care Finance Administration.

Recommendation 9

Work with Health and Health's peer review agent to resolve the appropriateness of the 73 claims billed as inpatient care services.

Status - Fully Implemented

Agency Action - Health contracts with an independent utilization review agent, Island Peer Review Organization (IPRO), to determine the necessity and appropriateness of services billed by Medicaid inpatient providers. Health and IPRO reviewed the 73 claims referenced in the audit report. In some cases, Health recommended recoveries or adjustments. In other cases, IPRO determined that the services provided were appropriately billed as inpatient acute care.

Major contributors to this report were Lee Eggleston, Don Paupini and Warren Fitzgerald.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We wish to thank the management and staff of the Department for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Kevin M. McClune
Audit Director

cc: Patricia Woodworth