

H. CARL McCALL
STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 15, 2002

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

Re: Report 2002-F-1

Dear Dr. Novello:

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 reviewed actions taken by the Department of Health (Health) as of February 15, 2002, to implement the recommendation contained in our audit report, *Medicaid Claims Paid for Medicare Part A Eligible Recipients – 1998* (Report 99-D-3). Our report, which was issued on March 22, 2000, reviewed claims paid for Medicaid recipients who were also eligible for Medicare Part A benefits during the 1998 calendar year (dual eligible recipients).

Background

Health administers the State's Medical Assistance program (Medicaid), which was established to provide medical assistance to needy people. Health's fiscal agent, Computer Sciences Corporation, uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process Medicaid claims and pay providers for medical services to eligible Medicaid recipients. In New York, the Federal, State, and local governments jointly fund the Medicaid program.

Most of New York's aged or disabled Medicaid recipients are also covered by Medicare, which is Federally funded. One component of Medicare is Medicare Part A, which covers inpatient hospital expenses - except for deductibles and coinsurance - for eligible beneficiaries during a 90-day benefit period. When a Medicaid recipient also has Medicare coverage, Medicaid pays for Medicare deductibles, coinsurance and remaining expenses after the recipient has exhausted all Medicare benefits. By law, Medicaid is always the payer of last resort.

In New York, the Medicaid provider is responsible for determining whether the recipient's Medicare benefits allow coverage for the services provided. The provider must first bill Medicare. The provider may bill Medicaid for the deductible, coinsurance amount and any expenses for time periods not covered by Medicare. If the recipient has Medicare coverage and the provider fails to bill Medicare first, Medicaid could overpay claims by the amount Medicare should have paid.

Summary Conclusion

In our prior audit, we found that the Medicaid program may have overpaid providers about \$14.9 million. Of this amount, OSC staff recovered about \$2.3 million from providers and recommended that Health staff investigate and recover the remaining \$12.6 million of potential overpayments.

In our follow-up review, we found that Health officials have not implemented the recommendation contained in our prior audit report. Health officials cited staffing shortages as the reason for not taking action on the \$12.6 million of potential overpayments. Consequently, providers may have lost the ability to bill Medicare (in those cases where the provider billed Medicaid instead of Medicare) due to the expiration of Medicare's claim filing deadline.

Summary of Status of Prior Audit Recommendation

Health officials have not implemented the recommendation contained in the prior report.

Follow-up Observation

Recommendation

Investigate and recoup the overpayments cited in this report.

Status – Not Implemented

Agency Action – At the time of our follow-up review, Health officials had not taken action to recoup the overpayments cited in the report. According to Health officials, they were waiting to send these potential overpayments to a collections contractor, whose contract was not approved until January 2002.

Major contributors to this report were Ken Shulman, Bill Clynes, Sheila Emminger and Bill Warner.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address the unresolved matter discussed in this report. 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,

Kevin M. McClune
Audit Director

cc: Deirdre A. Taylor