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July 18, 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-18

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 the actions taken by officials of the Department of Health (Health) as of June 12, 2002, to implement the recommendations contained in our audit report, *NAMI Deductions from Nursing Home Medicaid Claims* (99-S-49). Our report, which was issued on February 14, 2001, reviewed Health's policies and procedures relevant to controlling Net Available Monthly Income (NAMI) deductions from nursing home Medicaid claims.

Background

The Department of Health (Health) administers the State's Medical Assistance program (Medicaid). 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 the medical services rendered. The State's 58 local social services districts (local districts) are responsible for determining a recipient's Medicaid eligibility and for computing recipient's NAMI, which is the amount recipients' are responsible for paying each month toward their nursing home costs. Local districts compute a recipient's NAMI on the Medicaid Budget and Eligibility (MABEL) subsystem whenever the amounts of these resources change, and then update recipients' records on the State's Principal Provider/Long Term Care File (File) with new NAMI information. This information is used by the MMIS for payment purposes.

Summary Conclusions

In our prior audit, we found a variance of nearly $53.8 million between NAMI on the claims and NAMI on the file during the period October 1, 1995 through September 30, 1999. Most of the variance was attributed to delays in updating NAMI and limitations in MMIS for automatically adjusting such claims.

In our follow-up review, we found that Health officials made significant progress in implementing the recommendations contained in our prior audit report. According to Health officials, about $19 million in overpayments have been recovered and about $30.5 million of potentially overpaid claims are under review. In addition, Health officials investigated the feasibility of linking the MABEL to the Long Term Care file and have started a plan to automate the notification process to nursing homes and recipients when there are changes in NAMI.

Summary of Status of Prior Audit Recommendations

Of the prior audit recommendations, we found that Health officials have implemented all four recommendations.

Follow-up Observations

Recommendation 1

Investigate the $53.8 million NAMI variance in the 739,000 nursing home Medicaid claims for our audit period. Identify and correct any erroneous payments to nursing homes as necessary.

Status – Implemented

Agency Action – According to Health officials, audit staff investigated the $53.8 million variance between NAMI on nursing home claims and NAMI on the File. Health officials expanded their review to include approximately 18 additional months, from January 1, 1995 through June 30, 2000, and identified potential overpayments totaling about $62.5 million. Health officials correlated the NAMI variance information identified in our audit report with Health's data and contacted 696 nursing homes. After investigating the responses from nursing home, Health officials identified potential overpayments of around $49.5 million. According to Health officials, they have recovered about $19 million of these overpayments. The remaining potential overpayments totaling about $30.5 million are still under review.

Recommendation 2

Monitor the implementation of the prospective NAMI policy at local districts to ensure that previously unidentified or unreported recipient income is recovered through future NAMI adjustments.

Status – Implemented

Agency Action – Health officials developed a survey for field staff to review with local district staff. The survey is meant to verify that local district staff members understand the NAMI policy. The survey also requests input and suggestions from the local district staff. In addition to the survey, Health officials initiated a process of on-site visits to the local districts to review with staff their procedures for processing nursing home cases and determining a recipient's eligibility. To date, Health's staff has visited one local district, Montgomery County.

Recommendation 3

Investigate the feasibility of developing direct links between the MABEL and the File so that NAMI amounts computed in MABEL can be updated to the File automatically and immediately.

Status – Implemented

Agency Action – Health officials investigated the feasibility of developing direct links between the MABEL and the File, and determined it was not feasible to do so. Health officials stated there is specific information that is not captured on the MABEL (e.g., it can not be updated on the MABEL), but is updated to the File. For example a recipient's medical bill information is not updated to the MABEL; however, it must be updated to the File. In addition, there are times when a recipient's NAMI amount is calculated several times on the MABEL before the final budget is determined. According to Health officials, if the two systems were linked, it would be difficult to determine which budget should be updated.

Recommendation 4

Automate the NAMI notification process so that NAMI notices are produced automatically and immediately, rather than waiting for local district case workers to produce them manually.

Status – Implemented

Agency Action – According to Health officials, they have completed the initial phase of automating the NAMI notification process for existing cases using its Client Notice, and have begun the next phase, which is automating notifications for new cases. However, Health officials stated that there are other priority projects that have slowed the process. Also according to Health officials, the NAMI notification process can never be totally automated because there will always be some manual intervention required. For example, certain variables are not captured by MABEL and must be manually updated.

Major contributors to this report were Ken Shulman, William Clynes, Donald Paupini and Claudia Christodoulou.

We 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