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OFFICE OF THE STATE COMPTROLLER

August 28, 2003

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

Re: Report 2003-F-22

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 (Department) as of July 15, 2003, to implement the recommendation contained in our report, *Medicaid Claims Paid for Medicare Part A Eligible Recipients – 2000* (Report 2001-D-2). Our report, which was issued on December 18, 2001, reviewed Medicaid claims paid for Medicaid recipients who were also eligible for Medicare Part A benefits (dual eligible recipients) during the 2000 calendar year.

Background

The Department administers the State's Medical Assistance program (Medicaid), which was established to provide medical assistance to needy people. The Department's fiscal agent, Computer Sciences Corporation, uses the Medicaid Management Information System, a computerized payment and information reporting system, to process Medicaid claims and pay providers for medical services they render 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 being provided. The provider must first bill Medicare. The provider may bill Medicaid for the deductible and 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.

In prior audits (95-S-91 and 96-S-91), we recommended that the Department initiate system changes to ensure that Medicare eligibility for dual eligible recipients is accurately reflected in the Welfare Management System and that Medicare benefits are fully utilized before Medicaid payments are made. Despite these recommendations, we have continued to identify Medicaid overpayments to providers who have either not billed or not maximized the recipients' Medicare benefits.

Summary Conclusions

In our prior audit, we found that the Medicaid program may have made inappropriate payments to providers of about \$12.4 million. In our follow-up review, we found that the Department's collections contractor had recently initiated efforts to recover the identified overpayments.

Summary of Status of Prior Audit Recommendation

Department officials have partially implemented the recommendation contained in the prior report.

Follow-up Observations

Recommendation

Investigate and recoup the overpayments identified in this report.

Status – Partially Implemented

Agency Action – According to Department officials, although the report was issued in December 2001, the Department's collections contractor, Public Consulting Group, Inc. (PCG), was unable to initiate recovery efforts on the overpayments until April 2003 since there was a backlog of audit findings that took precedence. At the time of our follow-up review, PCG had recovered \$2.2 million from providers.

Major contributors to this report were Ken Shulman, Bill Clynes, Ed Durocher and Carol O'Connor.

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 also 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