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June 2, 2004

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 2004-F-2

Dear Dr. Novello:

According 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 followed up on the actions taken by officials of the Department of Health to implement the recommendations contained in our report, *Duplicate Medicaid Transportation Payments* (Report 2001-S-65).

Background, Scope and Objective

The New York State Department of Health (Department) administers the State's Medical Assistance program (Medicaid), which was established under Title XIX of the federal Social Security Act to provide medical assistance to needy people. The Department uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process Medicaid claims and make payments to health care providers for services rendered to Medicaid recipients. These services include medical transportation. Federal regulations require transportation be provided to recipients who need, but cannot get to, medical service providers. Some facilities, such as hospitals, nursing homes and general clinics, receive an all-inclusive Medicaid payment rate that covers the costs of all medical procedures and services, including medical transportation, provided to the recipient. Thus, when recipients in such facilities receive transportation services, the facilities themselves should reimburse the transportation providers for these costs. Department regulations state Medicaid will not pay separately for these services since the costs are covered in the facilities' Medicaid payment rate. At other facilities, such as specialty hospitals, adult day health care clinics, and some nursing homes, the Medicaid payment rate does not include a component for transportation costs. In these cases, it is appropriate for the transportation providers to bill Medicaid for transporting Medicaid recipient to other facilities to receive medical services. MMIS processed and paid over \$270 million in transportation services between January 1, 2003 and December 31, 2003.

Our initial audit report, issued on October 23, 2002, assessed the Department's oversight and monitoring of Medicaid payments for transportation services. Our report found MMIS claims processing does not include specific edits to prevent the payment of claims submitted by transportation providers on behalf of recipients at facilities with Medicaid rates that include a component for transportation. We also found the Department does not match transportation claims to medical facilities to identify duplicate payments, and does not instruct transportation providers about correct billing procedures. Specifically, we found the Department made duplicate payments of more than \$9.7 million to transportation providers who billed separately for services covered in facilities' Medicaid rates. In addition, we found Medicaid potentially made additional duplicate payments of \$31.1 million on behalf of Medicaid recipients in other facilities whose payment rates may include a component for medical transportation. The objective of our follow-up, which we did according to Generally Accepted Government Auditing Standards, was to assess the extent of implementation as of April 14, 2004 of the four recommendations included in our initial report.

Summary Conclusions and Status of Prior Audit Recommendations

We found Department officials made little progress in correcting the problems we identified. Consequently, additional improvements are needed. Of the four prior audit recommendations, one recommendation has been partially implemented and three recommendations have not been implemented.

Follow-up Observations

Recommendation 1

Recover the \$9.7 million in payments for transporting Medicaid recipients at hospitals, clinics and nursing homes whose Medicaid payment rates include medical transportation.

Status - Not Implemented

Agency Action - Department officials have not initiated any recoveries of the \$9.7 million transportation claims. At the time of our follow up, they began reviewing the claims documentation provided at the conclusion of the initial audit. The Department agreed to make recoveries where appropriate.

Recommendation 2

Research the Medicaid payment rates for the 454 clinics and 155 nursing homes. If the payment rates include payment for medical transportation, recover, as necessary, the \$23.5 million and \$7.6 million Medicaid paid for transporting Medicaid recipients at these clinics and nursing homes, respectively.

Status - Partially Implemented

Agency Action - At the time of our follow up, the Department had initiated actions to review the claims documentation we provided at the conclusion of the audit. Based on the results of

this review, the Department plans to research the rate documentation for the 454 clinics and 155 nursing homes associated with these claims and make recoveries as appropriate.

Recommendation 3

Develop guidelines and procedures to instruct transportation providers on billing for transportation services when the transportation costs are included in medical facilities' rates.

Status - Not Implemented

Agency Action - The Department stated it was preparing an article for the April 2004 Medicaid Update (a newsletter for Medicaid providers) instructing providers who have the cost of transportation in their rates to pay the costs of recipient transportation. However, this article was not included in the April 2004 Medicaid Update, nor could Department officials provide us with a copy of this article. The Department has not developed any other written procedures to instruct transportation providers on billing for transportation services when the transportation costs are included in a Medical facilities' rates. In its 90-day response, the Department stated it was developing a means to identify facilities that have the cost of transportation in their rates and then notifying those facilities and transportation providers of the appropriate method of payment and reimbursement. However, Department officials now maintain there is no mechanism available for transportation providers to determine when a particular ordering practitioner has transportation included in its rate.

Recommendation 4

Develop methods to identify and prevent separate transportation payments for Medicaid recipients in medical facilities with Medicaid payment rates that include transportation costs.

Status - Not Implemented

Agency Action - According to Department officials, there are no prospective methods to identify and prevent fee-for-service transportation of recipients to medical facilities or programs that may have the cost of transportation in their rates. They further added there is no identification on a transportation claim that indicates the origination or destination of the trip. Although the Department performed matches until 1994, the Department discounted matching transportation claims with other program or medical facility claims stating such a match would presume the transportation on that date of service was to that particular program or medical facility. They added, however, they would recover any overpayments they identified through their audit process. Regardless of the Department's position on this issue, Department regulations state Medicaid will not pay separately for transportation services included in the facilities' Medicaid payment rate. As such, we maintain Department management needs to take action to identify and prevent such payments.

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

We would appreciate your response to this report in 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 process.

Very truly yours,

David R. Hancox
Audit Director

cc: Robert Barnes