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OFFICE OF THE STATE COMPTROLLER

December 20, 2005

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 2005-F-21

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 followed up on the actions taken by officials of the Department of Health to implement the five recommendations contained in our audit report, *MMIS Claims Processing Activity* (Report 2003-S-60).

Background, Scope and Objective

The Department of Health (Department) administers the State's Medical Assistance program (Medicaid), established under Title XIX of the Federal Social Security Act to provide medical assistance to needy people. The Department'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 rendered to eligible Medicaid recipients. In New York, the federal, State and local governments jointly fund the Medicaid program. During the year ended March 31, 2004, MMIS paid nearly 224 million claims, including 73.7 million claims relating to retroactive rate adjustments, totaling \$36.4 billion.

Our initial audit report, which was issued on August 16, 2004, examined the Department's MMIS claims processing activity relating to the payment of selected Medicaid claims for the year ended March 31, 2004. Our report identified about \$41.9 million in actual and potential savings to the Medicaid program. The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of October 17, 2005 of the five recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Department of Health officials have made some progress in implementing the recommendations. Of the five audit recommendations, two recommendations have been implemented, two recommendations have been partially implemented, and one recommendation has not been implemented.

Follow-up Observations

Recommendation 1

Recover Medicaid overpayments of \$12.5 million relating to 856 inpatient hospital claims.

Status - Partially Implemented

Agency Action - Department officials sent the claims to its collections contractor, Public Consulting Group (PCG) and as of October 2005, they have recovered \$1.8 million. Additionally, PCG is continuing the recovery efforts for some of these hospital claims through their methodology. However, PCG and the Department believe that other of these claims are unrecoverable or duplicated the efforts of PCG or lack the sufficient information to allow recovery. Therefore, the Department does not plan to pursue recovery of these claims.

Recommendation 2

In conjunction with the Department's quality improvement organization and the Office of Mental Health, assess the appropriateness of the 108 inpatient hospital claims totaling \$1.6 million pertaining to medical necessity and, as appropriate, recover any overpayments.

Status - Partially Implemented

Agency Action - Based on reports provided to us by the Department, their quality improvement organization, Island Peer Review Organization (IPRO), reviewed the inpatient hospital claims to determine the medical necessity of the services provided. Based on IPRO's analysis of 75 claims, overpayments for 8 claims totaling \$50,416 were recovered. IPRO officials determined the remaining 67 claims were medically necessary. Office of Mental Health reviewed the remaining 33 claims and determined they were medically necessary.

Recommendation 3

Recover Medicaid overpayments totaling \$252,154 relating to 182 SNF claims.

Status - Not Implemented

Agency Action - As of August 2005, Department officials stated that as part of the Department's corrective action plan they instructed PCG to include this finding in the Payment Integrity Project. PCG is in the process of developing and testing part of the project for skilled nursing facility (SNF) claims. However, no recoveries have been made at this time due to the project's status and low priority given the recovery of these claims due to the anticipated low impact.

Department officials stated that PCG does a comparison of SNF claims paid for recipients with Medicare eligibility to ensure the Medicaid payment was appropriate. If PCG finds the payment was not appropriate, the money is recovered from the SNF.

Recommendation 4

Initiate recovery action against the nine providers with outstanding accounts receivable balances totaling \$349,475.

Status - Implemented

Agency Action - The Department's Fiscal Management Group was able to recover the outstanding accounts receivables balances of \$349,475 from the nine providers.

Recommendation 5

In conjunction with the local districts, determine whether the 203 recipients have active third-party insurance and update the WMS third-party insurance files to reflect active insurance status.

Status - Implemented

Agency Action - On September 15, 2004, the Department sent a letter to the Medicaid Directors of all local social service districts that included a recipient report to be reviewed for possible health insurance coverage that should be added to Medicaid recipient eligibility files. As of the end of field work, the Department had received responses from all the districts with the exception of New York City.

The Department also sent the same recipient report to its contractor to help PCG improve its identification of third party insurance for Medicaid recipients statewide. As a result of these actions, the Department has added insurance information to Medicaid eligibility files for over 50,000 recipients.

Major contributors to this report were Bill Clynes, Erika Akers, Don Collins, and Jennifer Van Tassel.

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

Very truly yours,

Steven E. Sossei
Audit Director

cc: Robert Barnes, Division of the Budget