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OFFICE OF THE STATE COMPTROLLER

September 20, 2006

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 2006-F-28

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 (Department) to implement the recommendation contained in our audit report, *Medicaid Managed Care Under Six Month Premium Payments* (Report 2004-S-68).

Background, Scope and Objectives

The Department administers the State's Medical Assistance program (Medicaid), which was established in accordance with Title XIX of the federal Social Security Act to provide medical assistance to needy people. The State is integrating managed care into Medicaid to help provide quality health care to low-income and disabled citizens in a more cost-effective manner. Within the Department, the Office of Managed Care (Managed Care) establishes rates, policies and business rules to process plan claims and monitors resulting Medicaid payments. Under the supervision of Managed Care management, the Office of Medicaid Management (OMM) maintains computer logic that controls claims processing and monitors resulting Medicaid payments.

New York City, local social services districts (counties), and contracted enrollment brokers have primary responsibility to enroll and process Medicaid recipient eligibility records for plans. They work in partnership with the Department to determine Medicaid eligibility and administer the Medicaid managed care program. Hospitals and birthing centers are required to report a newborn's date of birth to the Department within ten business days of receipt of the notification of the birth. Upon notification of the birth, the Department must retroactively enroll a Medicaid-eligible newborn back to the first day of the month of birth.

The Office of Temporary and Disability Assistance operates the Welfare Management System (WMS) which maintains eligibility information for a number of public assistance programs in the State. From its eligibility files, the WMS creates and distributes monthly rosters which list the covered recipients of each plan. These rosters serve to establish eligibility for service under the health plans and are used by Medicaid health plans' billing systems to submit monthly premium claims to the Department.

According to Office of Managed Care policy, monthly plan premium claims are paid at an enhanced "newborn" rate for only the first six months of an infant's life; afterwards, a regular premium rate is paid. The newborn rates are allowed on claims where the infant's age is from zero to five months. Newborn rates are not valid for infants aged six months or more.

Our initial audit report, which was issued on September 28, 2005, examined the Department's policies and procedures to ensure appropriate Medicaid payments are made to Medicaid managed care health plans (plans) for newborn premiums for the four-year period January 1, 2001 through December 31, 2004. Our report recommended the Department recover the overpayment identified in our audit. 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 September 8, 2006 of the recommendation made in our initial report.

Summary Conclusions and Status of Audit Recommendation

We found that Department officials have partially implemented the recommendation made in our initial audit report.

Follow-up Observations

Recommendation

The Department should take the action necessary to recover the overpayments identified during the audit.

Status - Partially Implemented

Agency Action - The Department is in the process of recovering overpayments identified during the audit. They have identified additional overpayments through November 2005 which are included in their recovery project. Using details gathered from local districts regarding correct dates of birth and gender they are calculating correct payments and determining the amounts to be recovered. The Department expects to notify recipients of the overpayments within three to four months.

Major contributors to this report were Donald S. Paupini, Cynthia A. Herubin and Anthony J. Calabrese.

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

Kenneth I. Shulman
Audit Manager

cc: Lisa Ng, Division of the Budget
Thomas Howe, Department of Health