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October 10, 2006

Antonia C. Novello, M.D., M.P.H., Dr. P.H.
Commissioner
Department of Health
Corning Tower
Albany, NY 12237

Re: Report 2006-F-31

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 recommendations contained in our audit report, *Controls Over Supplemental Maternity Payments* (Report 2004-S-67).

Background, Scope and Objective

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 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 they render to eligible Medicaid recipients. In New York, the federal, State and local governments jointly fund the Medicaid program.

The Department administers two plan-based programs: Family Health Plus and Medicaid Managed Care. Under these programs, eligible recipients are enrolled in a participating managed care organization (plan). The plan ensures the recipient has access to covered health services on an as-needed basis and pays all providers. In return, the plan receives a flat monthly premium, based on the recipient's county of residence, regardless of actual usage during the month.

For the most part, the monthly premium is expected to pay for the costs of providing covered health services. However, plans may submit additional claims for supplemental payments. These additional payments are intended to cover the costs of enhanced services. One such supplemental payment is the supplemental maternity capitation payment (maternity payment), which is a one-time payment intended to cover the costs of pre-natal care, delivery, and post-partum care for a woman enrolled in either Family Health Plus or Medicaid Managed Care at the time of delivery.

The Department has developed a model contract, which lays out the terms and conditions for plans that participate in the Medicaid program. Family Health Plus and Medicaid Managed Care have their own model contract, but the terms and conditions for the maternity payments are identical for both programs. In both programs, plans are responsible for paying the costs of all birth-related health services provided to the mother. The plan receives the maternity payment only if the pregnancy results in either a live or still birth; pregnancies that end in termination or miscarriage are considered to be covered by the regular monthly premium.

The maternity payment is due only to the plan of record at the time of delivery; it is not prorated if a pregnant woman switches plans prior to the delivery. Once the plan has paid the provider (usually a hospital) for the delivery, the plan may submit a maternity payment claim to the Department. Evidence of payment and of the services provided does not have to be submitted with the claim, but supporting documentation must be retained by the plan and are subject to audit by Department staff. The Department may recover any unsupported maternity payments.

Both Family Health Plus and Medicaid Managed Care pay the same amount for a maternity payment. Like the monthly premium, the payment is based on the recipient's county of residence. However, each program has a separate rate code, which the plan notes on its claim. The plan submits the claim for a maternity payment directly to MMIS for processing. Unless an edit check prevents payment, the claim is approved and paid without review by Department staff. Originally, the costs of both Family Health Plus and Medicaid Managed Care were allocated the same: 50 percent was paid by the federal government, 25 percent by the State, and the remaining 25 percent by the recipient's county of residence. However, in January 2005, the State began assuming responsibility for the local share of Family Health Plus, an arrangement that will be completed over a two year period, when the costs will be allocated evenly between the federal and State government.

For plans participating in Family Health Plus, the maternity payment has been available since October 1, 2001, when the program began. For plans participating in Medicaid Managed Care, the maternity payment has been available only since April 1, 2003.

Our initial audit report, which was issued on September 14, 2005, examined the applicable controls at the Department for ensuring Medicaid appropriately paid supplemental maternity payments on behalf of eligible women enrolled in managed care. Our audit covered the period October 1, 2001 through December 31, 2004. Our report identified a number of internal control weaknesses. In particular, the Department does not perform regular analysis of maternity payments. Rather, the Department relies on edit checks in MMIS to prevent inappropriate payments. We found that because of these weaknesses, plans received duplicate maternity payments, received payments for male recipients, and received payments for other ineligible recipients. We also identified valid maternity payments that were incorrectly coded to the wrong 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 September 25, 2006 of the four recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Department officials have implemented the four recommendations included in the initial audit report.

Follow-up Observations

Recommendation 1

Develop procedures to prevent duplicate maternity payments. At a minimum, Department management should make certain:

- *system edits designed to prevent duplicate maternity payments actually accomplish this goal, and*
- *system edits are turned on.*

In addition, Department officials should continue to recover the duplicate maternity payments identified by this audit and their own internal review.

Status - Implemented

Agency Action - The Department has developed procedures to prevent duplicate maternity payments. Edits have been established and implemented to insure payments will be declined if charged within 180 days from the initial maternity charge. All of the 21 duplicate maternity payments totaling \$96,345 identified in our audit, have been recovered.

Recommendation 2

Take action to prevent inappropriate maternity payments made on behalf of male recipients. At a minimum, Department management needs to:

- *make certain system edits designed to prevent maternity payments on behalf of male recipients are completed, functioning as intended and turned on,*
- *work with local district officials to ensure recipient gender is coded properly in the system,*
- *investigate the 309 maternity payments made on behalf of male recipients to determine if the recipient was miscoded as male, if the claim should have been submitted against the newborn supplemental capitation payment rate code, or if the claim is not valid, and*
- *recover the \$591,278 in overpayments made for male recipients and any other inappropriate payments identified by Department management in its analysis of maternity payments made on behalf of male recipients.*

Status - Implemented

Agency Action - The Department has established a managed care claim edit to prevent maternity payments made on behalf of male recipients as well as an edit to prevent billing for maternity payments for those under 12 and over 65 years old.

On February 23, 2005 a General Information Statement (GIS) was issued to local departments of social service. The GIS reminded local districts of the importance of coding an applicant/recipient's gender correctly in the statewide Welfare Management System.

The Department analyzed the overpayment identified in the original report and found about \$552,000 was actually overpaid. The Department has collected this overpayment.

Recommendation 3

Recover the \$1 million in invalid maternity payments made against the Family Health Plus rate code.

Status - Implemented

Agency Action - In preparing to recover the invalid maternity payments the Department determined that the potentially recoverable amount was \$735,261 instead of \$1 million. The Department has collected this amount.

Recommendation 4

Department management needs to take action to minimize the potential for the miscoding of maternity payments by designing and implementing edit checks to prevent such errors which ultimately impact the funding responsibilities of the State and individual counties.

Status - Implemented

Agency Action - The Department has designed and implemented edit checks to minimize the potential for miscoding of maternity payments. These edits were implemented effective July 27, 2005.

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

We wish to 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