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**Thomas P. DiNapoli  
COMPTROLLER**



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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**DEPARTMENT OF HEALTH**

**MEDICAID PAYMENTS TO  
TRANSPORTATION  
PROVIDERS WHILE  
RECIPIENTS WERE  
HOSPITALIZED**

**Report 2006-S-78**

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## AUDIT OBJECTIVE

The objective of our audit was to determine if New York State's medical assistance program (Medicaid) made inappropriate payments to transportation providers while recipients were hospitalized.

## AUDIT RESULTS - SUMMARY

During our audit period of October 1, 2001 through April 30, 2006, we identified over \$4 million in inappropriate Medicaid payments to transportation providers while recipients were hospitalized. Our review of medical records showed the Medicaid recipients were hospitalized at the time the transportation was supposedly provided. It is likely that the transportation providers billed for services that were never provided. Since these services were never rendered, the Department of Health (Department) should recover the inappropriate payments from the transportation providers.

Our report contains four recommendations to recover inappropriate Medicaid payments and improve controls over payments to transportation providers. Department officials generally agreed with our recommendations and have taken steps to implement changes.

This report, dated August 28, 2007, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or Office of the State Comptroller  
Division of State Government Accountability  
110 State Street, 11<sup>th</sup> Floor  
Albany, NY 12236

## BACKGROUND

The Department administers the Medicaid program which was established under Title

XIX of the federal Social Security Act to provide needy people with medical assistance. The program is funded jointly by the federal, State, and local governments. Its management information and claims processing functions are handled through the State's eMedNY system, which the Department implemented on March 24, 2005.

If a Medicaid recipient needs medical services, but cannot get to those services, federal regulations require that transportation be provided to the recipient. Recipients generally use transportation services to travel from their residence or a medical facility to another medical facility for services. When a hospital cannot provide certain services, patients may be transported to nearby facilities capable of providing the needed care. In these cases, the hospitals are required to reimburse the transportation providers for their services. The Medicaid payment rate for hospitals includes payment for all medical procedures and services, including transportation services, regardless of where the services were performed. According to Department regulations, Medicaid will not pay separately for transportation services when those services are included in a hospital's Medicaid payment rate. The transportation providers should not separately bill Medicaid for their services provided to hospitalized recipients.

## AUDIT FINDINGS AND RECOMMENDATIONS

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### *Medicaid Payments for Transportation Services*

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During the period October 1, 2001 through April 30, 2006, Medicaid overpaid transportation providers more than \$4 million for claims inappropriately billed for hospitalized patients. These overpayments occurred because the transportation providers

did not comply with Department guidelines for billing Medicaid and eMedNY lacks the controls necessary to detect and prevent these overpayments.

Two Medicaid transportation providers we visited had questionable payments totaling more than \$930,000. Our review of billing records determined many transportation services were billed incorrectly and other services were never provided. Some of these inappropriate payments occurred because the transportation providers billed Medicaid instead of billing the hospital. In other cases, Medicaid clients had scheduled transportation prior to becoming hospitalized for other services, such as dental care. Although the transportation never occurred, the transportation providers billed Medicaid for the services.

In our prior audit entitled *Duplicate Medicaid Transportation Payments* (Report 2001-S-65, issued October 23, 2002), we reported Medicaid made similar inappropriate payments because the Medicaid claims processing system did not have controls necessary to detect and prevent these overpayments. In that prior audit, we reported Medicaid made duplicate payments of more than \$9.7 million to transportation providers who billed separately for services included in other facilities Medicaid rates. According to Department officials, the Department has not made any recoveries of the duplicate payments identified in our prior report. According to Department officials, the Department plans to develop and implement controls to prevent inappropriate payments to transportation providers.

### Recommendations

1. Review the \$4 million in inappropriate transportation payments we identified

and recover overpayments where appropriate.

2. Instruct transportation providers on the appropriate way to bill transportation services provided to patients that are hospitalized.
3. Implement appropriate edits to the eMedNY system to prevent these overpayments from occurring.
4. Improve the timeliness of recovery activities related to inappropriate transportation payments.

### AUDIT SCOPE AND METHODOLOGY

We conducted our audit according to generally accepted government auditing standards. During the audit period, we audited Medicaid claims submitted by transportation providers and processed by the Department. To accomplish our audit objective, we extracted questionable claims from the Medicaid payment file and verified the accuracy of the payments. We interviewed Department officials, visited selected transportation providers to review medical records and other supporting documentation, reviewed applicable sections of federal and State laws and regulations, and examined the Department's relevant payment policies and procedures.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority

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voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

#### **AUTHORITY**

The audit was performed 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.

#### **REPORTING REQUIREMENTS**

We provided a draft copy of this report to Department officials for their review and comment. We considered their comments in preparing this report. A copy of the

Department's response is included as Appendix A.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Health shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

#### **CONTRIBUTORS TO THE REPORT**

Major contributors to the report include Sheila Emminger, Warren Fitzgerald, Dennis Buckley and Brianna Redmond.

APPENDIX A - AUDITEE RESPONSE



Corning Tower The Governor Nelson A. Rockefeller Empire State Plaza Albany, New York 12237

Richard F. Daines, M.D.  
Commissioner

May 14, 2007

Sheila A. Emminger, Audit Manager  
Office of the State Comptroller  
Division of State Services  
State Audit Bureau  
110 State Street, 11<sup>th</sup> Floor  
Albany, New York 12236

Dear Ms. Emminger:

Enclosed are the Department of Health's comments on the Office of the State Comptroller's (OSC) draft audit report on "Medicaid Payments to Transportation Providers While Recipients Were Hospitalized" (2006-S-78).

Thank you for the opportunity to comment.

Sincerely,



Wendy Saunders  
Chief of Staff

Enclosure

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cc: Ms. Bachrach  
Mr. Charbonneau  
Mr. Griffin  
Mr. Howe  
Mr. Hussar  
Ms. Kerker  
Ms. Napoli  
Mr. Reed  
Mr. Seward  
Mr. Sheehan

**Department of Health  
Comments on the  
Office of the State Comptroller's  
Draft Audit Report 2006-S-78 on  
"Medicaid Payments to  
Transportation Providers  
While Recipients Were Hospitalized"**

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The following are the Department of Health's (DOH) comments in response to the Office of the State Comptroller's (OSC) draft audit report 2006-S-78 on "Medicaid Payments to Transportation Providers While Recipients Were Hospitalized."

**Recommendation #1:**

Review the \$4 million in inappropriate transportation payments we identified and recover overpayments where appropriate.

**Response #1:**

The Office of the Medicaid Inspector General (OMIG) will review the transportation payments identified and pursue appropriate recoveries.

**Recommendation #2:**

Instruct transportation providers on the appropriate way to bill transportation services provided to patients that are hospitalized.

**Response #2:**

Transportation providers have received instruction and guidelines on the appropriate way to bill transportation services provided to hospitalized patients. The Medicaid Update had an article, *Who Pays for the Transportation of a Hospital Inpatient*, in the October 2006 issue and the Transportation Provider Manual, page 10 of the policy guidelines, has a section on *Transportation of a Hospital Inpatient*.

**Recommendation #3:**

Implement appropriate edits to the EMedNY system to prevent these overpayments from occurring.

**Response #3:**

An evolution project has been initiated to address this issue and is scheduled to be implemented in late June 2007. The project will create a crossover edit that will deny incoming transportation claims when there is an inpatient diagnostic related group (DRG) claim in history for the same recipient and service period.

**Recommendation #4:**

Improve the timeliness of recovery activities related to inappropriate transportation payments.

**Response #4:**

The Office of Health Insurance Programs will add an edit to identify and create monthly/quarterly reports, if there is a transportation claim in history and an incoming inpatient DRG claim is received for the same recipient. The system will pay the incoming inpatient DRG claim and report the transportation history claim for further review.

The OMIG will schedule an annual inpatient crossover review.