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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 CLAIMS  
PROCESSING ACTIVITY  
OCTOBER 1, 2006 - MARCH  
31, 2007**

**Report 2006-S-88**

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## AUDIT OBJECTIVE

Our audit objective was to determine if payments to medical service providers in New York State's medical assistance program (Medicaid) were appropriate and supported by edited and approved claims.

## AUDIT RESULTS - SUMMARY

During our six-month audit period ended March 31, 2007, our weekly audit of Medicaid payments to medical service providers determined payments were supported by edited and approved claims. We identified inappropriate payments totaling \$181,187, of which \$168,902 we prevented from being paid to the providers. The Department of Health (Department) should investigate the remaining \$12,285 we identified and make recovery where appropriate.

Our report contains 4 recommendations to improve controls to prevent inappropriate Medicaid payments and to investigate and recover inappropriate payments. Department officials generally agreed with our recommendations and have taken steps to implement changes.

This report, dated August 29, 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. In New York, Medicaid 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. During the period October 1, 2006 through March 31, 2007, eMedNY processed over 152 million claims totaling more than \$20 billion.

## AUDIT FINDINGS AND RECOMMENDATIONS

### *Medicaid Payments to a Pharmacist Arrested by the United States Attorney*

During our audit period, the United States Attorney arrested a New York City pharmacist for defrauding the Medicaid program of at least \$1.2 million since 2003. We determined eMedNY continued to process the pharmacist's claims despite this arrest. We notified the Department to stop payments totaling \$60,478 to this pharmacist. The Department did stop all Medicaid payments to the provider and has terminated this pharmacist from the Medicaid program. As reported in a prior audit, *Medicaid Claims Processing Activity April 1, 2006 – September 30, 2006* (Report 2006-S-38, issued December 18, 2006), we reported a similar situation to the Department, preventing \$102,027 in Medicaid payments to a provider under the review of the New York State Attorney General's Office for conspiracy and drug diversion charges. As with the pharmacist in the current audit, the Department was not aware of the findings and actions taken by these other State and federal Medicaid oversight agencies. To prevent payments to providers who are fraudulently or inappropriately billing Medicaid, the Department needs to improve its coordination

with other State and federal Medicaid oversight agencies.

### **Recommendation**

1. Improve coordination with other State and federal Medicaid oversight agencies to prevent payments to providers who are fraudulently or inappropriately billing Medicaid.

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#### *Validity of Third Party Insurance Information on Providers' Medicaid Claims*

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When eMedNY was implemented in March 2005, the system did not contain logic to verify the validity of certain financial information recorded by Medicaid providers on their claims. Since the claim information is used to calculate Medicaid payments to providers, invalid information could cause eMedNY to calculate incorrect payment amounts. During our audit period, we identified and prevented overpayments totaling \$108,424 for two claims. These overpayments occurred because eMedNY did not check the validity of certain third party insurance information recorded by Medicaid providers on their claims, as follows:

- one claim was overpaid \$59,348 because the provider recorded a negative third party insurance payment on the claim. Third party insurance payments collected and reported by Medicaid providers on their claims should reduce the final Medicaid cost of the claim. When the provider recorded the third party payment as a negative number on the claim, eMedNY processed the amount as a double negative, or a positive, and added \$59,348 to the amount the Medicaid owed the provider.

- one claim was overpaid \$49,076 because the provider recorded an invalid amount for the Medicare deductible amount on the claim. Medicaid generally pays the recipient's Medicare deductible amount. The Medicare deductibles are standard amounts that are established annually. In this case, eMedNY did not test the validity of the deductible amount the provider reported and eMedNY paid the provider \$49,076 for a routine office visit normally reimbursed at \$30.

According to Department officials, the Department has proposed an eMedNY project to correct the problems we identified. Until this project is completed and the Department implements controls to prevent these types of overpayments, more overpayments such as we identified may occur.

### **Recommendation**

2. Design and implement eMedNY controls to validate the third party insurance amounts recorded by Medicaid providers on their claims.

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#### *Medicaid Payments for Non-Emergency Transportation*

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According to the Department's procedures, Medicaid payments will not be made for any unauthorized non-emergency transportation services. The Department requires all non-emergency transportation to be authorized in advance of the service so Medicaid recipients use the most efficient mode of transportation appropriate to their medical needs. The recipient's physician must obtain the prior authorization for the transportation from the recipient's local social services district before any transportation provider can bill Medicaid.

Prior authorization is usually obtained before each trip taken by the recipient. However, prior authorization may be granted for an extended period if a recipient needs regular transportation due to extended treatment. The eMedNY uses prior authorization information to process Medicaid transportation providers' claims. If a claim is not supported by a prior authorization, eMedNY will deny payment.

We determined if a prior authorization is on file with eMedNY, there is no limit to the number of trips or miles a transportation provider may bill on a single day. For example, we found one transportation provider who billed Medicaid for 3,900 miles in one day for one recipient. As a result, Medicaid overpaid the provider \$12,285. The Department should investigate and recover this overpayment. The Department has proposed an eMedNY project to correct this problem. Until this project is completed and the Department implements controls to prevent this type of overpayment, more overpayments such as we identified may occur.

### **Recommendations**

3. Investigate and recover the \$12,285 overpayment to the transportation provider.
4. Design and implement eMedNY controls to validate the miles recorded by transportation providers on their Medicaid claims.

### **AUDIT SCOPE AND METHODOLOGY**

We conducted our audit according to generally accepted government auditing standards. During the period October 1, 2006 through March 31, 2007, we audited selected Medicaid claims processed by the Department. To accomplish our audit

objective, we extracted claims from the Medicaid payment file and verified the accuracy of the payments. We also interviewed Department officials, 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 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. Department officials generally agreed with our recommendations and indicated actions planned or taken to implement them. We considered their comments in preparing this report. A complete copy of the Department's response

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is included as Appendix A. Appendix B contains a State Comptroller's comment which addresses matters contained in the Department's response.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department 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 Steve Sossei, Sheila Emminger, Warren Fitzgerald, Earl Vincent and Martin Patterson.

**APPENDIX A - AUDITEE RESPONSE**



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

Richard F. Daines, M.D.  
Commissioner

August 6, 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 draft audit report on "Medicaid Claims Processing Activity October 1, 2006 - March 31, 2007" (2006-S-88).

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  
Ms. Hart  
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-88 on  
"Medicaid Claims Processing Activity  
October 1, 2006 - March 31, 2007"**

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The following are the Department of Health's (Department) comments in response to the Office of the State Comptroller's (OSC) draft audit report 2006-S-88 on "Medicaid Claims Processing Activity October 1, 2006 - March 31, 2007."

**Recommendation #1:**

Improve coordination with other State and federal Medicaid oversight agencies to prevent payments to providers who are fraudulently or inappropriately billing Medicaid.

**Response #1:**

The New York State Office of the Medicaid Inspector General (OMIG) coordinates with various State, local and federal oversight agencies to prevent payments to providers fraudulently or inappropriately billing Medicaid. The following are examples of how the OMIG works with other agencies.

- The OMIG and the New York State Attorney General's Medicaid Fraud Control Unit (MFCU) communicate on an almost daily basis via telephone and e-mail regarding active fraud investigations. Additionally, quarterly reviews of all cases are conducted between OMIG and MFCU.
- The OMIG participates in the Federal/State Fraud and Abuse Technical Advisory Group. This forum facilitates information sharing amongst the States and federal government, particularly the federal Centers for Medicare and Medicaid Services, as well as the American Public Human Services Association.
- The OMIG receives notification of federal criminal actions on a monthly basis from the Department of Health And Human Services (DHHS). OMIG staff performs a monthly match of the information contained in the DHHS Exclusions Database with information on all licensed health care providers in New York State. In addition, a comparison is performed against non-enrolled or non-licensed New York State residents appearing in the DHHS data.
- The Department's Office of Professional Medical Conduct provides same day notification to the OMIG of any disciplinary actions taken by them.

* Comment
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\*See State Comptroller's Comment, page 10

- The New York State Education Department notifies the OMIG monthly of all disciplinary actions taken.
- The OMIG maintains liaisons via e-mail and telephone with the Department's Office of Health Systems Management, the New York State Office of Mental Health, the New York State Office of Alcoholism and Substance Abuse and The New York State Office of Mental Retardation and Developmental Disabilities.

**Recommendation #2:**

Design and implement eMedNY controls to validate the third party insurance amounts recorded by Medicaid providers on their claims.

**Response #2:**

An eMedNY project request (EP 1130) to develop an edit requiring a dollar value of zero or greater in the relevant claim fields has been established and is currently awaiting assessment.

**Recommendation #3:**

Investigate and recover the \$12,285 overpayment to the transportation provider.

**Response #3:**

The OMIG has requested back-up documentation from the OSC supporting the claims identified as inappropriate. OMIG staff will review the documentation to confirm the payments are in fact inappropriate, and issue a report to the provider seeking repayment of any confirmed overpayments.

**Recommendation #4:**

Design and implement eMedNY controls to validate the miles recorded by transportation providers on their Medicaid claims.

**Response #4:**

An eMedNY project request (EP 1096) to develop an edit limiting the maximum number of units for which a provider can be paid for any date of service within the authorization period has been established and is currently awaiting assessment. This amount would be determined by dividing the authorized units by the number of days the authorization covers.

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## APPENDIX B - STATE COMPTROLLER'S COMMENT

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Even though the New York State Office of the Medicaid Inspector General coordinates with these oversight agencies, the Department is not always aware of the findings and actions taken by these agencies. In our report we cited two instances where the Department

continued to process Medicaid claims for providers after these oversight agencies had taken action against the providers. We notified the Department to stop Medicaid payments totaling \$162,505 to these providers.