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STATE COMPTROLLER



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STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

June 30, 1997

Barbara A. DeBuono, M.D., M.P.H.  
Commissioner  
Department of Health  
Corning Tower  
Empire State Plaza  
Albany, New York 12237

Mr. Brian Wing  
Commissioner  
Department of Social Services  
40 North Pearl Street  
Albany, New York 12243

Re: Report 97-F-11

Dear Dr. DeBuono and Mr. Wing:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by the Department of Health (Health) and the Department of Social Services (Social Services) as of May 9, 1997, to implement the recommendations contained in our prior audit report 94-S-84. Our prior audit, issued September 8, 1995, reviewed Health's and Social Services' practices relating to Medicaid payments to clinics using the reimbursement methods called Products of Ambulatory Surgery and Products of Ambulatory Care.

**Background**

In 1987 and 1989, Health and Social Services changed the methods for paying Medicaid claims for clinics. Instead of paying clinics one rate regardless of the extent of service provided, the new methods pay according to the level of service and resources used. Through Title 10 of the New York State Health Code, Rules and Regulations, Health established methods of reimbursement for clinic claims called Products of Ambulatory Care (PAC) and Products of Ambulatory Surgery (PAS). These methods were established to relate the amount of reimbursement to the level of services and the resources used in carrying out the medical procedure. For clinic services, PAC and

PAS payment methodologies reimburse a certain amount based on factors such as the medical procedure

rendered, the recipient's diagnosis and additional services performed.

During our audit period, Social Services administered New York's Medicaid program, and used the Medicaid Management Information System (MMIS) to process Medicaid claims and make payments to health care providers for services rendered to recipients. After October 1, 1996, Health was responsible for administering Medicaid and MMIS.

### **Summary Conclusion**

In our prior audit, we found various control weaknesses associated with the reimbursement of PAC and PAS procedures. MMIS did not have sufficient controls in place to ensure that PAC and PAS payments to clinic providers were made consistent with established Medicaid reimbursement policy. For example, State regulations require Health's prior approval before clinics may be reimbursed for certain procedures. During the audit, we found that MMIS reimbursed clinic claims without the required prior approval. As a result of this and other control weaknesses, Medicaid may have overpaid clinic providers up to \$4.5 million for the period October 1, 1991 through February 28, 1994. Eight of the nine recommendations in the prior report were directed to the Department of Social Services; one recommendation was directed to the Department of Health. In our follow-up review, we found that Social Services and Health officials have made significant progress in implementing our prior audit recommendations. For example, Social Services officials made enhancements to MMIS to prevent the types of overpayments identified during the audit.

### **Summary of Status of Prior Audit Recommendations**

Social Services and Health officials have fully implemented all nine of our prior audit recommendations.

### **Follow-up Observations**

#### **Recommendation 1**

*Correct edit 1116 to include all PAS procedures requiring prior approval.*

**Status** - Fully Implemented

**Agency Action** - Social Services modified edit 1116 in January 1995 to include all PAS procedures that require a prior approval.

### **Recommendation 2**

*Establish an edit to verify the prior approval check digit of PAS claims requiring a prior approval number.*

**Status** - Fully Implemented

**Agency Action** - Social Services incorporated edit logic into MMIS to verify the prior approval check digit.

### **Recommendation 3**

*Investigate all claims we identified without a valid prior approval number and as warranted, take steps to recover any overpayments.*

### **Recommendation 4**

*Investigate the claims we identified with invalid PAS procedures, and as warranted, take steps to recover any overpayments.*

### **Recommendation 5**

*Investigate the inappropriately billed claims we identified, and as warranted, take steps to recover any overpayments.*

### **Recommendation 6**

*Investigate the claims we identified involving PAC claims billed with incorrect rates, and as warranted, take steps to recover any overpayments.*

**Status** - Recommendations 3, 4, 5, and 6 have been Fully Implemented

**Agency Action** - Social Services referred the inappropriate PAS/PAC claims identified in the audit report to Health for review. Health has completed its review and instructed Social Services to initiate recovery of the Medicaid payments.

### **Recommendation 7**

*Instruct Social Services to zero the rates of the hospital-based clinic effective January 1, 1992, and as warranted, take steps to recover any overpayments.*

**Status** - Fully Implemented

**Agency Action** - The rates of the hospital-based clinic have been set to zero. In addition, Health

has instructed Social Services to recover the overpayments identified in the audit report.

**Recommendation 8**

*Implement edits to prevent multiple payments of clinic claims.*

**Status** - Fully Implemented

**Agency Action** - Health has implemented combinations edits used by MMIS to prevent multiple payments of clinic claims.

**Recommendation 9**

*Investigate the identified claims, and as warranted, take steps to recover any overpayments.*

**Status** - Fully Implemented

**Agency Action** - Social Services referred the inappropriate PAS/PAC claims identified in the audit report to Health for review. Health has completed its review and instructed Social Services to initiate recovery of the Medicaid payments.

Major contributors to this report were Lee Eggleston, Don Paupini and Warren Fitzgerald.

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

Very truly yours,

Kevin M. McClune  
Audit Director

cc: Patricia Woodworth