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OFFICE OF THE STATE COMPTROLLER

October 9, 2008

Richard F. Daines, M.D.  
Commissioner  
Department of Health  
Corning Tower  
Empire State Plaza  
Albany, NY 12237

Re: Report 2008-F-11

Dear Dr. Daines:

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 Department of Health officials to implement the recommendations contained in our audit report, *Medicaid Claims Processing Activity October 1, 2006 - March 31, 2007* (Report 2006-S-88).

**Background, Scope and Objectives**

The Department of Health (Department) administers the Medicaid program which was established under Title XIX of the federal Social Security Act. The Medicaid management information and claims processing functions are handled through the State's eMedNY system, which the Department implemented on March 24, 2005.

Our initial audit report, which was issued on August 29, 2007, determined whether Medicaid payments to medical service providers were appropriate and supported by edited and approved claims. For the six-month period ending March 31, 2007, our audit identified Medicaid overpayments totaling \$181,187, of which we prevented \$168,902 from being paid to the providers. We recommended that the Department investigate the remaining \$12,285 in overpayments, make recoveries where appropriate, and improve controls to prevent future overpayments.

The objective of our follow-up was to assess the extent of implementation, as of September 24, 2008, of the four recommendations included in our initial report.

## **Summary Conclusions and Status of Audit Recommendations**

We found that Department officials have made progress in correcting problems we identified. However, additional action is necessary. Of the four prior audit recommendations, one recommendation has been implemented, one recommendation has been partially implemented, and two recommendations have not been implemented.

### **Follow-up Observations**

#### **Recommendation 1**

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

Status - Implemented

Agency Action - In response to our initial audit, Department officials stated the Office of Medicaid Inspector General (OMIG), on behalf of the Department, performs a number of activities on a routine basis to identify providers who are fraudulently or inappropriately billing Medicaid. Among other activities, they noted coordination efforts with the New York State Attorney General's Medicaid Fraud Control Unit (MFCU). OMIG officials also perform routine reviews of press releases and newspaper articles to identify providers that should be terminated from participation in the New York State Medicaid program. Since our initial audit, OMIG has expanded efforts to identify these providers by seeking cooperation with bordering states. Currently, New York and New Jersey automatically notify each other when action is taken against a Medicaid provider.

#### **Recommendation 2**

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

Status - Not Implemented

Agency Action - According to Department officials, an eMedNY project was developed to create the edit controls necessary to validate negative third party insurance amounts entered by providers on claims submitted for payment. However, this project has not been completed and is currently on hold.

In our initial audit, we further determined that invalid Medicare deductible amounts were being entered by providers on claims submitted for payment. Subsequent to that audit, we engaged a series of Medicare-related audits to address, in part, the still current and recurring problem of invalid Medicare deductible amounts.

#### **Recommendation 3**

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

Status - Not Implemented

Agency Action - According to OMIG officials, the \$12,285 has not been investigated or recovered. The issue was assigned to an individual who subsequently left, and follow up of the overpayment was never reassigned.

**Recommendation 4**

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

Status - Partially Implemented

Agency Action - On August 21, 2008 the Department set eMedNY edit 00180 to deny inappropriate transportation claims. This edit works in conjunction with the maximum (mileage) units indicated on the eMedNY system procedure file for the specific transportation procedure code billed. However, the Department has set the maximum units for mileage too high. For example, code NY221 (Taxi/Livery/Van: Group Ride Mileage) currently is set to a maximum unit of 999 (or maximum mileage amount of 999). As a result, inappropriate transportation claims are still being paid. For example, we identified a claim with a date of service of August 21, 2008 in which the provider billed for 999 units (or 999 miles). Because the Local County Department of Social Services office gave this provider prior approval of 999 units for the period August 21, 2008 through September 20, 2008, this provider was able to bill for, and receive payment for, 999 miles in one day.

Major contributors to this report were Andrea Inman and Chris Morris.

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

Sheila A. Emminger  
Audit Manager

cc: Stephen Abbott, Department of Health  
Steven Sossei, OSC Division of State Government Accountability