

OFFICE OF THE NEW YORK STATE COMPTROLLER



DIVISION OF LOCAL GOVERNMENT  
& SCHOOL ACCOUNTABILITY

# Cattaraugus County

## Internal Controls Over Inmate Healthcare

Report of Examination

Period Covered:

January 1, 2011 — December 19, 2012

2013M-123



Thomas P. DiNapoli

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# **State of New York**

## **Office of the State Comptroller**

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### **Division of Local Government and School Accountability**

June 2013

Dear County Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and County governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of Cattaraugus County, entitled Internal Controls Over Inmate Healthcare. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

Cattaraugus County (County) is located in the southwest portion of New York State and has a population of 80,317. The County comprises two cities, nine villages, and 32 towns. The County is governed by a 21-member Legislature. The Chairman of the Legislature is the County's Chief Executive Officer; however, the Legislature appoints a County Administrator to coordinate the County's daily operations. An elected County Treasurer serves as the Chief Financial Officer. The County's budgeted appropriations for 2013 are \$202 million, which include general fund appropriations of \$155 million.

The Sheriff's Office is governed by an elected Sheriff and is responsible for administering healthcare services for County jail inmates. Certain costs for these services are eligible for Medicaid reimbursement, for which the County's Department of Social Services is responsible for submitting claims.

## Objective

The objective of our audit was to examine the County's internal controls over inmate healthcare. Our audit addressed the following related question:

- Did County officials ensure that appropriate rates were being paid for inmate healthcare services and reimbursement claims were submitted in a timely manner for eligible costs?

## Scope and Methodology

We examined the records and reports for the County's inmate healthcare services for the period January 1, 2011, through December 19, 2012.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

## Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with County officials and their comments, which appear in Appendix A, have been considered in preparing this report. County officials generally agreed with our recommendations and indicated that they have taken or plan to initiate corrective action.

The Sheriff has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General

Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Sheriff to make this plan available for public review in the Sheriff's office.

## Inmate Healthcare

The County is required to provide healthcare services for jail inmates, which can be a substantial financial burden. Public Health Law requires payment to hospitals for inpatient services at Medicaid Diagnostic Related Group (DRG) rates. Federal and State laws authorize the County to file for 50 percent Federal Financial Participation (FFP) reimbursement for certain inpatient hospital services provided to eligible inmates. Correction Law authorizes the County to bill an inmate's third party health insurance provider for eligible services. With respect to outpatient services provided to inmates, County officials can negotiate with health care providers to lower rates and thus reduce costs.

During 2011, the County paid \$230,686 for inmate healthcare services for inpatient and outpatient care. We reviewed 59 vouchers totaling \$93,038<sup>1</sup> for inmate healthcare services and found discrepancies with 18 claims totaling \$88,540, as discussed in detail in the sections below (some claims had more than one discrepancy). These discrepancies occurred because County officials did not have adequate procedures to review invoices for inpatient hospital services provided to County inmates and verify that the correct DRG rates were used. Further, the County Department of Social Services (DSS) has not submitted claims for FFP and County officials have not routinely submitted claims for third party insurer reimbursement for inpatient medical services. While the County has negotiated rates for outpatient healthcare services with one provider, it could benefit by negotiating rates with other medical service providers as well.<sup>2</sup>

Inpatient Hospital Cost – Procedures should be in place to ensure that all claims for inpatient hospital charges are reviewed for accuracy and, when applicable, are based on appropriate DRG rates and surcharges, prior to approval for payment.

Sheriff's Office staff responsible for reviewing invoices did not review DRG rates to ensure that the County was billed correctly. We reviewed 12 of the 59 vouchers totaling \$71,643 for inpatient hospital costs charged for 12 inmates to determine if the County had been properly billed at DRG rates. We found that 10 of the 12 vouchers selected, totaling \$71,194, were not properly itemized by the service provider to determine what rates were used. As a result,

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<sup>1</sup> See Appendix B, Audit Methodology and Standards, for details on our sample selection.

<sup>2</sup> The Sheriff's Office also negotiated rates with other than medical service providers (dental and pharmaceutical).

Sheriff's Office staff could not perform a comparison of rates charged to current DRG rates to ensure the County was not being overbilled.

Medicaid Reimbursement – Sheriff's Office staff attempt to obtain information from inmates about their medical insurance coverage, including Medicaid eligibility, when they are processed for incarceration.<sup>3</sup> Social Services Law permits the County's DSS to submit retroactive Medicaid claims for reimbursement of inpatient services provided to eligible inmates in an eligible hospital. If an inmate meets certain requirements, DSS can apply for Federal reimbursement at a rate of 50 percent of the service cost.

Six of the 12 inmates whose vouchers we reviewed had healthcare coverage information in their respective files and four of them appeared to be Medicaid-eligible. The costs relating to those four inmates totaled \$8,949, which could have been submitted for reimbursement totaling nearly \$4,500. However, County DSS officials did not do so.

Potential Third Party Coverage – The County adopted a local law in 1991 identifying its authority to seek third party health insurance reimbursement where possible. In August 2011, the Sheriff's Office began using an intake screening form to identify whether an inmate has third party health insurance.

Nine vouchers we reviewed totaling \$8,397 were for services provided to 11 inmates with intake forms indicating that they had third party health insurance coverage. There was no indication that County officials sought reimbursement from the third party providers for the services provided to these inmates.

The County has not routinely sought reimbursement from third party insurers. County officials indicated they had unsuccessfully attempted to seek this type of reimbursement in the past and that it was too time-consuming because it required involving multiple County officials to do so. However, while we were on site, they sought reimbursement<sup>4</sup> for services provided to an inmate who had a voucher in our sample and received approximately \$16,000 from a third party insurer for services provided to this inmate.

Outpatient Hospital Cost – Outpatient hospital services include emergency room visits, hospital clinic visits, outpatient surgery, x-rays and laboratory services. County officials can achieve cost savings by negotiating with service providers to accept Medicaid rates or percentage discounts for outpatient services delivered to inmates.

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<sup>3</sup> In August 2011, the Sheriff's Office began using an intake screening form to identify whether an inmate has Medicaid.

<sup>4</sup> The Sheriff's Office attempted to seek reimbursement initially in 2010.

The County negotiated an agreement in 2007 with a local hospital that provides outpatient services to inmates. Our sample of 50 vouchers included eight billings for outpatient services totaling \$2,303 from this hospital. We compared the invoiced rates to the negotiated agreement and found no exceptions. We encourage County officials to use this agreement as a model for negotiations with other providers to further control outpatient costs.

We also compared the rates charged by other providers for outpatient services on vouchers in our sample. For 15 DRG codes, we found that the rate charged to the County varied from one provider to the next. For example, the same DRG code for emergency room services ranged from \$175 to \$500. By negotiating an agreement with these other providers, the County would likely reduce its costs, perhaps significantly, for inmate outpatient services.

After discussing our preliminary findings with Sheriff's Office officials, they provided us with a corrective action plan that they began implementing while we were still conducting fieldwork. Among other things, the Sheriff's Office sent correspondence to all inmate healthcare providers advising them of the County's intention to only pay Medicaid rates, where applicable.<sup>5</sup> We commend the Sheriff's Office for its timely reaction to our findings as well as its efforts to control inmate healthcare costs.

## **Recommendations**

1. Sheriff's Office officials should strengthen procedures for reviewing inpatient hospital claims to ensure that they are properly coded and billed at current Medicaid rates.
2. Sheriff's Office officials should review inmate hospital claims paid in the current and prior years to determine if the County was overbilled and, if so, request a refund for any overpayments.
3. County officials should implement and monitor procedures to ensure timely submission of Medicaid-eligible inmate inpatient hospital claims for Medicaid reimbursement by the County's Department of Social Services.
4. County officials should consider contacting an inmate's third party healthcare provider upon incarceration to determine medical billing and reimbursement eligibility. Sheriff's Office officials should retain such information on file for each inmate, should medical services become needed while incarcerated. They also should review claims paid for inmates who have third party

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<sup>5</sup> Similar correspondence was mailed to inmate healthcare providers in October 2002.

coverage and seek reimbursement from the provider for covered services.

5. County officials should consider negotiating with hospitals and other service providers, similar to the existing negotiated contract with the local hospital, to obtain discounted rates for outpatient services. Written contracts between the County and providers should specify the outpatient rates, flat fees, or percentage discounts for specific services.

## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

The local officials' response to this audit can be found on the following pages.



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June 13, 2013

Mr. Robert Meller

Chief Examiner  
Office of the State Comptroller  
Buffalo Regional Office  
295 Main Street, Room 1032  
Buffalo, NY 14203-2510

Re: 2013M-123

Dear Mr. Meller,

This letter is in reference to the Office of the State Comptroller's draft audit report we received June 6, 2013. Please consider this our official "Audit Response" to use in your preliminary draft findings and recommendations.

As you are aware, this audit primarily addresses items related to internal controls over inmate health care in the Cattaraugus County Jail. Because there is engagement on some of these issues between both the Sheriff's Office and the County Department of Social Services, both Sheriff Timothy S Whitcomb and County Administrator John R Searles are responding to these findings.

The remainder of this letter will specifically address issues related to these findings in the order in which they appear in the report.

1. Page 6. Para 2. In part " County Officials have not *routinely submitted claims for third party insurer reimbursement for impatient medical services*".

First, there are very few inmates who become incarcerated here that have third party insurance. Despite this in 2010, the Sheriff's Office began the process recovering claims from third party insurers per Local Law 22-1991 and NYS Correction Law 550-h. This is noted in audit footnote #4 on page 7 which notes "Sheriff's Office attempted to seek reimbursement initially in 2010." When in 2011, a third party insurer denied payment; the Sheriff's Office took the matter to the County Attorney who resolved the issue with the third party insurer. In 2012, the

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county finally received reimbursement from the third party insurer involved. At that time, the NYS Comptroller auditors that were here were made aware of the recovery.

Beginning in August of 2011, the Sheriff's Office created and started routinely utilizing an "intake screening form" at that jail to screen for third party insurance or Medicaid coverage for reimbursement purposes. For inmates who have third party insurance we do flag them for potential recovery for medical services. The Sheriff's Office continues to use the intake screening form today. A copy of the form is kept in the inmate's file. Any potential claims prior to August 2011, would not have been identified at that time.

As of December 2012, with additional reviewing personnel in place, all intake forms are routinely screened and processed as applicable.

In 2010, the Sheriff's Office created, and continues to routinely utilize, a "Release from Custody Notification" form which is used when an inmate has been admitted to a medical facility for treatment, such that during his stay at the medical facility the inmate is released from custody and the medical facility is placed on notice by the aforementioned form that the inmate is no longer in our custody for billing purposes. The respective medical facility must sign and acknowledge the form and they are given a copy. The original is retained in the inmate's file at the jail.

It is ironic that the process set up has been considered a best practice by State Departments other than the Comptroller's Office.

**2. Page 6. Para 4. Inpatient Hospital Cost – Procedures should be in place to ensure that all claims for inpatient hospital charges are reviewed for accuracy and, when applicable, are based on appropriate DRG rates and surcharges, prior to approval for payment.**

Beginning in December 2012, after the jail nurse reviews inmate billing, the Sheriff's Office was authorized to have a part time employee work additional hours to help screen, review and compare Diagnos

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Related Grouping (DRG) rates to insure that rates and surcharges are correct prior to submitting them for approval and/or any potential recovery submissions.

*3. Page 6. Para 5. Sheriff's Office staff responsible for reviewing invoices did not review DRG rates to ensure that the County was billed correctly. We reviewed 12 of the 59 vouchers totaling \$71,643 for inpatient hospital costs charged for 12 inmates to determine if the County had been properly billed at DRG rates. We found that 10 of the 12 vouchers selected, totaling \$71,194, were not properly itemized by the service provider to determine what rates were used. As a result, Sheriff's Office staff could not perform a comparison of rates charged to current DRG rates to ensure the County was not being overbilled.*

The Sheriff's Office has been assertive in controlling and monitoring these costs. As noted on page 8 para 1 of the audit report "the Sheriff's Office sent correspondence to all inmate healthcare providers advising them of the County's intention to only pay Medicaid rates, where applicable. Further footnote #5 on page 8 notes that "similar correspondence was mailed to inmate providers in October, 2002". There are a limited number of providers in Cattaraugus County. The Sheriff's Office has been told by the inpatient and outpatient medical providers, that they will not itemize their billing for inmates according to DRG or negotiated rates. The medical providers have stated that it is the responsibility of the Sheriff's Office or the County Officials who receive the billing to apply the designated rates and bill/re-bill the providers as applicable. In turn, the County pays the adjusted rate. The correct procedures are currently in place to ensure that the applicable rates are applied.

*4. Page 6. Para. 6. Social Services Law permits the County's DSS to submit retroactive Medicaid Claims for reimbursement of inpatient services provided to eligible inmates in an eligible hospital...Six of the 12 inmates whose vouchers we received had healthcare coverage information in their respective files and four of them appeared to be Medicaid eligible. The costs to these four inmates totaled \$8,949, which could have been submitted for reimbursement totaling nearly \$4,500. However, County DSS officials did not do so.*

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The Sheriff's Office did submit claims in a timely fashion to Cattaraugus County DSS. It is the responsibility for DSS to submit these claims to New York State for reimbursement. At the time of the audit that had not occurred. Since that time, however, the Cattaraugus County DSS Medicaid Unit processed and forwarded these claims to the internal DSS Accounting Unit to be processed for Federal reimbursement.

Further, to prevent this situation from reoccurring is a newly established collaboration between Sheriff's Office and DSS. Representatives of both the Sheriff's Office (Jail Superintendent and Jail Clerk who reviews Medical Billing under the direction of the Undersheriff) and the Department of Social Services (Deputy Commissioner, Medicaid Director and Senior Accountant) have met and established a two part protocol to administer the submission of claims by DSS. These meetings have resulted in a process to maximize reimbursements for inmate Medicaid claims as well as a referral form for incarcerated individuals.

*5. Page 7. Para 4. Nine vouchers we reviewed totaling \$8,397 were for services provided to 11 inmates with intake forms indicating that they had third party health insurance coverage. There was no indication that County officials sought reimbursement from the third party providers for the services provided to these inmates.*

This was prior to the Sheriff's Office being authorized a part time employee to work additional hours to help screen billing and intake forms. Along with the intake form, there is a procedure in place now to flag any new inmates who have third party insurance or Medicaid.

*6. Page 7. Para 6. Outpatient Hospital Cost – Outpatient hospital services include emergency room visits, hospital clinic visits, outpatient surgery, x-rays and laboratory services. County officials can achieve cost savings by negotiating with service providers to accept Medicaid rates or percentage discounts for outpatient services delivered to inmates.*

The Sheriff's Office put these procedures in place in December 2012 by sending a formal notice to providers that the County will only pay the Medicaid rate for their services provided to inmates. The Sheriff's Office has a part time employee who has access to the current Medicaid rates reviewing the provider's billing and correcting any discrepancies.

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**7. Page 7. Para 8.** We also compared the rates charged by other providers for outpatient services on vouchers in our sample. For 15 DRG codes, we found that the rate charged to the County varied from one provider to the next. For example, the same DRG code for emergency room services ranged from \$175 to \$500. By negotiating an agreement with these other providers, the County would likely reduce its costs, perhaps significantly, for inmate outpatient services.

According to the Agreement between Cattaraugus County and the Olean General Hospital dated the 25th day of May 2007 there are 5 levels of Emergency Department visits and 2 levels Emergency Department visits for MRI/CT. Depending on the outpatient level for the inmate's Emergency Department visit the rates would be anywhere from \$95.00 to \$500.00.

Some of the aforementioned findings were being corrected prior to the New York State Comptroller's Audit, others were being corrected during the audit. Other identified findings that were found and not yet corrected during the audit, were brought to the attention of the Sheriff's Office officials. As a result, actions were immediately discussed with the auditors, reviewed and corrective actions were put in place to correct the identified findings. A Correction Action Plan (CAP) will be submitted within 90 days outlining the audit's recommendations and actions taken.

Finally, we would be remiss if we did not comment upon the process of this audit. When the audit was completed and initial draft reports were issued, these first draft reports were distributed by the Comptroller's Office to the county officials (e.g., the County Sheriff and the County Administrator) and the full 21 member County Legislature. These reports were draft and subject to change and distributed via email and the internet. While labeled confidential and draft, Legislators were prohibited by the Comptroller's Office from participating in the exit interview where the report was discussed, County response was solicited and the report modified. On several occasions, it was noted that the Comptroller's office staff were willing to meet individually with Legislators, but again not in the exit interview format. This was noted as a policy change in the Comptroller's Office. If there is going to be widespread circulation of draft confidential documents via email and the internet, all parties receiving

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copies should be included in being able to access meetings at which this information may be modified. The process seems flawed.

Thank you for allowing us the opportunity to respond to your draft findings. I am confident that this audit will assist us in developing ways to improve our daily work so that we may better serve the public and conserve county resources.

Sincerely,

**Timothy S. Whitcomb**  
Sheriff  
County of Cattaraugus, NY

**John R. Searles**  
County Administrator  
County of Cattaraugus, NY

Cc: Cattaraugus County Legislature

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## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

We examined the County's internal controls over inmate healthcare for the period January 1, 2011, through December 19, 2012. To accomplish our audit objective and obtain valid audit evidence, our procedures included the following:

- We reviewed Legislature minutes and interviewed County officials to determine whether policies and procedures were in place to control inmate healthcare service costs.
- We reviewed State and Federal resources to determine appropriate rates and surcharges.
- We obtained negotiated service provider agreements and compared them with billings for services provided to determine if the County was billed at the proper rates. We conducted our testing by randomly selecting 50 vouchers totaling \$28,944 for inmate healthcare services. Three vouchers totaling \$7,549 were for inpatient hospital costs for three inmates. We then judgmentally selected an additional nine inpatient healthcare vouchers totaling \$64,094 to determine if the County had been properly billed at DRG rates.
- We compared inmate intake forms with invoices for healthcare services to determine if the County Department of Social Services had sought reimbursement from Medicaid and if the County had sought reimbursement from third party insurance providers.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **APPENDIX C**

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# APPENDIX D

## OFFICE OF THE STATE COMPTROLLER

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