

**Memorandum**

Date JUL 20 1993

From Bryan B. Mitchell *Bryan Mitchell*
Principal Deputy Inspector General

Subject Review of the Network Design Group's Full and Partial Denials of Medical Assistance Claims That Have Not Been Recovered by New York State

To (A-02-93-01007)

Bruce C. Vladeck
Administrator
Health Care Financing Administration

This memorandum alerts you to the issuance on July 21, 1993, of our final audit report. A copy is attached.

The purpose of our review was to determine if New York State (NYS) recovered the Network Design Group's (NDG) full and partial denials of Medicaid claims and to determine if the Federal Government received its proper share of these denied claims. Our review was of denial determinations made by the NDG during the period April 1, 1987 through April 30, 1989.

Section 1903 (d)(3)(c) of the Social Security Act (the Act) requires that when an overpayment is identified, the State shall have 60 days to recover or attempt to recover the overpayment from the provider. The Act further states that irrespective of whether or not the recovery is actually made, the Federal Government is to receive its portion of the overpayment after the 60-day period has ended.

Our review noted that although NDG had reported its Medicaid denial determinations to the NYS Department of Health, NYS had not taken action to recoup the affected Medicaid funds or credit the Federal Government with its share of the denials. The NDG denial determinations were communicated to NYS in 1988 and 1989, but as of November 30, 1992, the date we used for making our review determinations, no recoupment action had been taken by NYS. In our opinion, this occurred because NYS did not properly monitor the recoupment efforts of NDG or the affected providers nor did it ensure that the recoupments were made. As a result, NYS failed to recoup \$3,879,708 in overpayments identified over 3 years ago. In addition, NYS did not credit the Federal Government with its share of these

Page 2 - Bruce C. Vladeck

overpayments totaling \$1,743,340 within 60 days of discovery. Appendix A of our report identifies the affected providers and the amount each provider owes. This information will permit NYS to quickly recover the \$3,879,708 in identified overpayments from the providers.

We are recommending that NYS immediately return \$1,588,758 to the Federal Government. This amount is \$154,582 less than the \$1,743,340 Federal share amount of the identified overpayments not recovered by NYS. The reduction of our recommended audit adjustment was necessary to avoid duplication of amounts previously questioned and recouped in a prior audit (A-02-90-01006). In addition, we are recommending that NYS ensure that all denial determinations identified by peer review organizations (PROs) are recovered timely and that the Federal share is returned in accordance with the provisions of the Act.

In their comments, NYS officials indicated that upon receiving information from us on the NDG denials not recovered, they will work with their current peer review agent to make the appropriate recoupments. The NYS officials also commented that they have developed procedures to ensure that full and partial denial determinations identified by PROs are being recouped. We are in the process of conducting an audit of the updated systems. Regional officials of the Health Care Financing Administration generally concurred with the findings and recommendations contained in our report.

For further information, contact:

John Tournour
Regional Inspector General
for Audit Services, Region II
(212) 264-4620

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE NETWORK DESIGN
GROUP'S FULL AND PARTIAL DENIALS
OF MEDICAL ASSISTANCE CLAIMS
THAT HAVE NOT BEEN RECOVERED BY
NEW YORK STATE**



JULY 1993 A-02-93-01007



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office Of Inspector General
Office Of Audit Services

Region II
Jacob K. Javits Federal Building
26 Federal Plaza
New York, NY 10278

Our Reference: Common Identification Number A-02-93-01007

Mr. Gregory Kaladjian
Acting Commissioner
New York State Department
of Social Services
40 North Pearl Street
Albany, New York 12243

Dear Mr. Kaladjian:

This is to advise you of the results of our REVIEW OF THE NETWORK DESIGN GROUP'S FULL AND PARTIAL DENIALS OF MEDICAL ASSISTANCE CLAIMS THAT HAVE NOT BEEN RECOVERED BY NEW YORK STATE. The purpose of our review was to determine if New York State (NYS) recovered the Network Design Group's (NDG) full and partial denials of Medicaid claims and to determine if the Federal Government received its share of these denials. Our audit was of denial determinations made by the NDG during the period April 1, 1987 to April 30, 1989.

Our review determined that NYS has not recouped \$3,879,708 related to 1,078 full and partial denials of Medicaid claims identified by the NDG. Of this amount, \$3,486,684 was applicable to Federal financial participation (FFP) of which the Federal share was \$1,743,340. We also found that the Federal Government has not been properly credited with its share of these denials.

Section 1903 (d)(3)(c) of the Social Security Act requires that when an overpayment is identified, the State shall have 60 days to recover or attempt to recover the overpayment from the provider. The Act further states that irrespective of whether or not the recovery is actually made, the Federal Government is to receive its portion of the overpayment after the 60-day period has ended.

Our review noted that although the NDG had reported its Medicaid denial determinations to the NYS Department of Health, the State had not taken action to recoup the affected Medicaid funds or credit the Federal Government with its share of the denials. The NDG denial determinations were communicated to

the State in 1988 and 1989, but as of November 30, 1992, the date we used for making our review determinations, no recoupment action had been taken by the State. In our opinion, this occurred because the State did not properly monitor the recoupment efforts of the NDG or the affected providers nor did it ensure that the recoupments were made. As a result, the State failed to recoup \$3,879,708 in overpayments identified over 3 years ago. In addition, the State did not credit the Federal Government with its share of the overpayments within 60 days of discovery.

We are recommending that the State immediately return \$1,588,758 to the Federal Government. This amount is \$154,582 less than the \$1,743,340 Federal share amount of the identified overpayments not recovered by the State. The reduction of our recommended audit adjustment was necessary to avoid duplication of amounts previously questioned and recouped in a prior audit (CIN A-02-90-01006). Details of this reduction are discussed later in this report. Additionally, we are recommending that the State ensure that all denial determinations identified by peer review organizations are recovered timely and that the Federal share is returned in accordance with the provisions of the Social Security Act.

INTRODUCTION

Background

The Medicaid program, authorized by Title XIX of the Social Security Act, as amended, provides grants to States for furnishing medical assistance to eligible low-income persons. The States arrange with medical service providers such as physicians, pharmacies, hospitals, nursing homes, and other organizations to provide the needed medical assistance.

On May 1, 1966, NYS initiated its Medicaid program. The NYS Department of Social Services (DSS) is the Single State Agency for Medicaid. The DSS delegates certain of its responsibilities to other State agencies. One such agency is the Department of Health (DOH). The DOH is responsible for developing medical standards, monitoring the quality of care provided to patients, and establishing Medicaid rates and fees. To ensure that the services provided to a patient are appropriate and to help control health care costs, the DOH contracted with three peer review organizations (PROs) to perform utilization reviews during our audit period. As part of their reviews, the PROs evaluate the appropriateness of inpatient hospital admissions and discharges and review the quality of care provided.

During our review period, the NDG's responsibilities included reviewing inpatient stays (except AIDS cases) at hospitals within upstate New York. When the NDG performed peer reviews of inpatient hospital stays reimbursed by Medicaid, it determined whether the services provided by the hospitals were appropriate and whether the care provided met professionally recognized standards. Based on their peer review, the NDG either approved a hospital stay, disallowed the entire stay which should have resulted in full recovery of Medicaid funds, or disallowed a portion of the stay which should have resulted in a partial recovery of Medicaid funds.

When the NDG denied an entire stay or portion of a stay, the denial determination was sent to the affected hospital. Hospital officials then had the opportunity to appeal the determination. If, after appeal, the NDG determined that the denial was appropriate, it notified the hospital of its final determination. The NDG also notified the Contracting Officer within the NYS DOH of this determination. Once the hospitals and the Contracting Officer were notified, the NDG had the capability of voiding the full inpatient stay denials (complete admission denials) resulting in a recoupment of the affected Medicaid funds but they were not able to adjust and recoup the partial stay denials. The hospitals themselves had the capability of making the recoupments for both the full and partial denials by submitting adjustment claims. The State, however, had the overall responsibility of ensuring that the affected Medicaid funds were recovered and that the corresponding Federal share was returned to the Federal Government.

During our review period, the NDG denied 20,177 inpatient days related to 2,109 inpatient stays at 148 hospitals within upstate New York. These denials related to both full and partial stays. The 20,177 days were reported directly to NYS who was supposed to ensure that the affected Medicaid funds were recovered. Section 1903 (d)(3)(c) of the Social Security Act requires that when an overpayment is identified, the State shall have 60 days to recover or attempt to recover the overpayment from the provider. The Act further states that irrespective of whether or not the recovery is actually made, the Federal Government is to receive its portion of the overpayment after the 60-day period has ended.

Scope of Review

The purpose of our audit was to determine if NYS recovered the NDG's full and partial denials of Medicaid claims and to determine if the Federal Government received its proper share of these denied claims. Our review was of denial

determinations made by the NDG during the period April 1, 1987 to April 30, 1989. For Medicaid admissions prior to January 1, 1988, inpatient hospital stays were paid through the State's Medicaid Management Information System (MMIS) using the per diem method of reimbursement. Effective January 1, 1988, hospitals in NYS were paid by the MMIS on the basis of the Diagnosis Related Group (DRG) system of reimbursement.

For our review period, we obtained final denial determination information from NYS. The NDG had previously sent this information to NYS for recoupment. We also performed various computer programming applications at the MMIS fiscal agent to determine if the denials recommended by the NDG had been recovered by the State. We compared the denial determination information to the claims information extracted from the MMIS to determine if recoupment action had occurred. Where no recoupment action was indicated, we calculated the overpayment amount not recovered. Our computations were made as of November 30, 1992.

Our review was conducted in accordance with governmental auditing standards. It included such tests and other auditing procedures that we considered necessary in the circumstances. During our review, we interviewed NDG and State officials and reviewed relevant policies and procedures. While acquiring an understanding of the internal control structure, it became apparent that no internal controls, edits, or other mechanisms existed which would ensure the recoupment of the denial determinations made by the NDG for our review period. As a result, we assessed control risk at the maximum level and decided to perform substantive testing of the Medicaid denials for the 148 hospitals included in our review. As part of our review, we did not perform a facility-wide review of the electronic data processing general and application controls within the MMIS.

Audit field work was performed at: the DSS, the DOH, and the MMIS fiscal agent in Albany, New York during the period November 1992 to February 1993. Additionally, a site visit was made to the NDG in Rochester, New York during the month of March 1992.

RESULTS OF REVIEW

Our review noted that during the period of our audit, the NDG recommended full and partial denials of Medicaid claims related to 2,109 inpatient stays at the 148 hospitals included in our review. We were able to locate 1,271 of these claims on the MMIS history files, but were unable to find the remaining 838.

Of the 1,271, our review determined that the State had not recovered the affected Medicaid funds for 1,078 (or 84.8%) of the NDG denials, but had recovered 181. For the remaining 12, we determined that no recovery action by the State will be necessary. The reason for this is that after deducting the NDG's denied days, the balance of the days allowed did not fall below the low trim point and therefore the hospital was still entitled to the full DRG. For the 838 inpatient stays not located on the MMIS claims history, we were unable to determine if the State had recouped the affected Medicaid funds. The State will have to research why no inpatient histories existed for these 838 stays. The total amount not recovered for the 1,078 inpatient stays was \$3,879,708. Of this amount, \$3,486,684 was applicable to FFP, of which the Federal share was \$1,743,340. We found that the Federal Government had not been properly credited with its share of these denials as required.

As defined in 42 CFR Part 433, an overpayment includes any amount paid by a Medicaid agency to a provider which is in excess of the amount that is allowable for services furnished under Section 1902 of the Act and which is required to be refunded under Section 1903 of the Act. According to Federal regulations, the NYS DSS should report these overpayments to the Federal Government based on first written notice to the provider and recover or attempt to recover the overpayments within 60 days of written notification. Federal regulations further require that regardless of whether or not the recovery is actually made, the Federal Government is to receive its portion of the overpayment after the 60-day period had ended.

Our review noted that although the NDG had reported its Medicaid denial determinations to the hospitals and the Contracting Officer within the NYS DOH, the State had not recouped the affected Medicaid funds or credited the Federal Government with its share of the denials. We determined that two factors contributed to the nonrecovery of the NDG's denials. First, there appeared to be internal confusion between various offices within NYS as to who was responsible for making the recoupments. Specifically, the Contracting Officer, who confirmed that not all of the NDG denials included in our review had been recovered, indicated that he forwarded the NDG denial determinations to another office within the NYS DOH who he thought would ensure that the recoupments were made. However, that office was disbanded and no other DOH office was assigned the responsibility for following up on the recoupment of the NDG denial determinations. In addition, our review determined that the State did not establish procedures to properly monitor the recoupment efforts of the NDG or the providers. Rather, the State appeared to rely exclusively on the NDG to void all full admission denials and on the hospitals

to process both full and partial denial adjustments. We found that even though the NDG had an automated process by which they could void all complete admission denials, not all full denials were recovered using this system and that for the most part, the affected providers were not making the necessary adjustments.

As a result of the State's ineffective monitoring, the affected Medicaid funds were not recouped and the Federal Government was not properly credited with \$1,743,340. Of this amount, \$154,582 was questioned and returned to the Federal Government as part of a disallowance under a prior audit (CIN A-02-90-01006) and as such cannot be questioned again. Specifically, \$148,994 was previously disallowed for New York Hospital - Cornell Medical Center (Provider No. 00274135) and \$5,588 was previously disallowed for St. Vincent's Hospital and Medical Center (Provider No. 00274199). These two amounts are not included in our recommended financial adjustment of \$1,588,758 (\$1,743,340 - \$154,582). Appendix A of our report includes a summary of the total and Federal share amounts questioned for each of the 148 hospitals included in our review.

Recommendations

We recommend that NYS:

1. Immediately refund \$1,588,758 to the Federal Government for Medicaid denials made by the NDG during our audit period that were not recouped or credited by the State.
2. Determine if the applicable Medicaid funds have been recovered and whether the Federal Government has received its share of these funds for the 838 denial determinations we were unable to locate on the MMIS claims history.
3. Develop appropriate procedures to ensure that all denial determinations identified by peer review organizations are recovered timely and credited to the Federal Government in accordance with Section 1903 of the Social Security Act.

STATE AGENCY COMMENTS

Both the NYS DSS and the NYS DOH provided comments to our report. The NYS DSS comments are dated May 25, 1993 and the NYS DOH comments are dated May 10, 1993.

In their comments, DSS officials indicated that the findings identified by our report are the responsibility of the NYS DOH, to whom they provided a copy of our report. DSS officials go

on to state that they have requested information from us related to the denials made by the NDG, which they will forward to the DOH so that they can determine where recoupments should be made. Additionally, DSS officials stated that they do not believe that further research is warranted to determine why no inpatient histories existed for the 838 inpatient stays we were unable to locate on the MMIS history files, since their recent efforts showed that claims identified as missing in an earlier report (CIN A-02-92-01009) were located on the MMIS credit history files. DSS officials further stated that as part of our review, we should have confirmed whether or not the missing claims were on the credit history files. Finally, DSS officials indicated that they have developed the necessary procedures to ensure that all denial determinations identified by peer review organizations are recovered timely.

In their comments, DOH officials stated that the 838 inpatient stays which we could not locate on the MMIS claims history files were related to full admission denials voided by the NDG. DOH officials contend that these voids were processed in the summer of 1989 and that they provided us with a list of the full denials that had been submitted for recoupment. In addition, DOH officials stated that we reviewed a sample of these full denials but could not locate any paid claims for these cases, which DOH officials indicated was due to the fact that claims are maintained on the MMIS file for only one year after they are voided. DOH officials believe that we should have indicated in our report that we sampled these full denials and for the most part, could not locate the claims related to these denials.

DOH officials also stated that they did not recoup any of the NDG's partial denials because the NYS DSS was in the process of developing an automated recoupment system for both full and partial denials. However, DOH officials indicated that the development of the partial system took longer than anticipated. Additionally, DOH officials stated that they do not have the necessary information to recoup the unrecovered NDG denials identified by our report and that they have requested the DSS to meet with us to obtain this data. DOH officials stated that once this information is obtained, it will work with its current peer review agent, the Island Peer Review Organization (IPRO), and the hospitals to make the necessary recoveries. On a final note, DOH officials stated that the IPRO reviewed a number of appeals related to NDG cases and to avoid any duplication, the DOH will have to determine if some of these denials were reversed by the IPRO.

The State's comments are provided in their entirety in Appendix B of this report.

OIG RESPONSE

We are pleased to note that the State appears to generally concur with the findings contained within our report. However, as stated in the body of our report, Section 1903 (d)(3)(c) of the Social Security Act requires that when an overpayment is identified, the State shall have 60 days to recover or attempt to recover the overpayment from the provider. The Act further states that irrespective of whether or not the recovery is actually made, the Federal Government is to receive its portion of the overpayment after the 60-day period has ended. Given the provisions of the Act, the State is required to immediately refund the full \$1,588,758 Federal share amount of the overpayments, since they were identified over 3 years ago.

With respect to the 838 denial determinations which we were unable to locate on the MMIS claims history files, we do not agree with the DSS's contention that no further review of these cases is warranted. As indicated in the State's response, they researched claims identified as missing in an earlier report (CIN A-02-92-01009) and as such we feel that they should research the 838 claims in question for this audit in the same manner. In this regard, we believe that it is the State's responsibility, not ours, to ensure that reimbursement has not been made in cases where payment has been denied by their peer review agent. Therefore, we continue to recommend that the State determine the status of the 838 NDG denial determinations which we were unable to locate so that any unrecovered Medicaid funds can be recouped and the corresponding Federal share returned.

In their response, DOH officials stated that the 838 inpatient stays we were unable to locate on the MMIS were related to full admission denials that had been processed by the NDG. This statement is incorrect. The 838 inpatient stays include both full and partial NDG denial determinations. Since these denials could not be located on the MMIS, we could not determine if the recoveries had in fact been made. Furthermore, DOH officials' contention that they provided us with a list of full denials which were submitted for recoupment is also incorrect. Rather, the DOH supplied us with 5 reports listing all denial determinations (both full and partial) made by the NDG during the period April 1, 1987 to April 1, 1989. As stated in our report, we reviewed each of the 2,109 denial determinations made by the NDG on these 5 reports to determine if NYS recovered the associated Medicaid funds. Contrary to the DOH comments, no sampling techniques were used.

Additionally, our report makes direct reference to the fact that claims associated with the 838 denial determinations were not found on the MMIS claims history files and as such no recovery determination could be made. In our opinion, it was

not necessary for us to identify which of these claims were related to full or partial denials, since regardless of the type of the denial, it is the State's responsibility to ensure that the recoupments are made and the corresponding Federal share returned.

We would also like to point out that in our report, we acknowledged that the NDG had an automated system by which they could void and recoup all full admission denials. However, our review determined and as stated in our report, not all full denials were recovered using this system and that for the most part, the providers who were responsible for making the partial adjustments, were not doing so.

Finally, we are pleased to note that the DSS and the DOH have developed procedures to ensure that full and partial denial determinations identified by peer review organizations are being recouped. We are also pleased to note that DSS officials are currently in the process of using information supplied by us to recoup the overpayments identified in our report. However, we must again reiterate that the Federal share of the identified overpayments must be returned to the Federal Government within 60 days of discovery. As such, we continue to recommend that the State immediately refund \$1,588,758 to the Federal Government for the NDG denial determinations identified over 3 years ago.

- - - - -

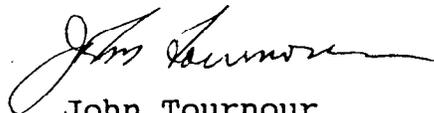
Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), Office of Inspector General, Office of Audit Services reports issued to the Department's grantees and contractors are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act, which the Department chooses to exercise. (See 45 CFR Part 5).

Page 10 - Gregory Kaladjian

To facilitate identification, please refer to the referenced common identification number in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "John Tournour".

John Tournour
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:

Mr. Arthur J. O'Leary
Associate Regional Administrator
Division of Medicaid, HCFA, Region II
U.S. Department of Health and Human Services
26 Federal Plaza, Room 38-130
New York, New York 10278

APPENDICES

SCHEDULE OF NON-RECOVERED AMOUNTS

| PROVIDER NO. | HOSPITAL NAME | TOTAL AMOUNT NOT RECOVERED | NON-RECOVERED FEDERAL SHARE | REMARKS |
|--------------|-------------------------------------|-------------------------------|--------------------------------|---------|
| 00243967 | Nyack Hospital | \$1,205 | \$0 | |
| 00244106 | Horton Hospital | 10,152 | 5,076 | |
| 00245432 | Yonkers General Hospital | 12,893 | 5,845 | |
| 00245501 | St. John's Riverside Hospital | 3,760 | 1,880 | |
| 00245863 | Erie County Medical Center | 91,297 | 34,141 | |
| 00258351 | Burke Rehab Center | 19,100 | 9,550 | |
| 00258379 | Arden Hill Hospital | 2,815 | 1,129 | |
| 00258920 | St. Joseph's Hospital | 42,127 | 20,500 | |
| 00268300 | Northern Dutchess Hospital | 1,515 | 0 | |
| 00273845 | St. Francis Hospital | 14,027 | 5,400 | |
| 00273854 | Vassar Brothers Hospital | 5,094 | 846 | |
| 00273914 | St. Lukes Hospital of Newburgh | 12,016 | 5,251 | |
| 00273932 | Julia Butterfield Memorial Hospital | 960 | 480 | |
| 00273941 | Good Samaritan Hospital Suffern | 1,490 | 149 | |
| 00273950 | Helen Hayes Hospital | 55,800 | 27,900 | |
| 00273969 | Summit Park Hospital | 39,593 | 15,422 | |
| 00273978 | Community General Sullivan Harris | 5,375 | 0 | |
| 00273987 | Community General Sullivan GH Cal | 7,662 | 3,831 | |
| 00274020 | Benedictine Hospital | 27,219 | 13,610 | |
| 00274039 | Ellenville Community Hospital | 729 | 0 | |
| 00274048 | Kingston Hospital | 3,018 | 1,509 | |
| 00274057 | Blythedale Childrens Hospital | 320,375 | 160,187 | |
| 00274093 | Lawrence Hospital | 5,612 | 2,806 | |
| 00274117 | Mount Vernon Hospital | 14,355 | 0 | |
| 00274126 | New Rochelle Hospital | 4,524 | 2,262 | |
| 00274135 | New York Hospital Cornell Med. Ctr. | 356,894 | 9,174 | (1) |
| 00274144 | Northern Westchester Hospital | 8,658 | 509 | |
| 00274162 | Phelps Memorial Hospital | 5,186 | 330 | |
| 00274180 | St. Agnes Hospital | 12,488 | 4,371 | |
| 00274199 | St. Vincent's Hospital & Med. Ctr. | 16,669 | 1,839 | (2) |
| 00274204 | United Hospital | 6,070 | 1,068 | |
| 00274213 | Westchester County Medical Ctr. | 339,477 | 145,247 | |
| 00274222 | White Plains Hospital | 3,207 | 338 | |
| 00277716 | Albany Med. Ctr. Hospital | 55,924 | 22,850 | |
| 00277725 | Memorial Hospital-Greene Co. | 1,716 | 858 | |
| 00279034 | Strong Memorial Hospital | 23,731 | 8,580 | |
| 00279098 | Aurelia Osborn Fox Mem. Hospital | 7,491 | 3,311 | |
| 00279176 | Cortland Memorial Hospital | 21,172 | 10,586 | |
| 00279387 | Margaretville Memorial Hospital | 5,711 | 2,471 | |
| 00279396 | Crouse Irving Hospital | 13,111 | 6,317 | |
| 00279543 | Lakeside Memorial Hospital | 0 | 0 | |
| 00279901 | St. Elizabeth Hospital | 1,116 | 558 | |
| 00301097 | Genesee Hospital | 38,510 | 18,275 | |
| 00302429 | Community Hospital Schoharie Co. | 14,200 | 6,915 | |
| 00303282 | Saratoga Hospital | 8,621 | 3,423 | |
| 00303315 | Rochester General Hospital | 91,305 | 41,200 | |
| 00305000 | Mary Imogene Bassett Hospital | 6,404 | 500 | |
| 00310843 | Mercy Hospital of Watertown | 0 | 0 | |
| 00310852 | Carthage Area Hospital | 286 | 143 | |
| 00310870 | Little Falls Hospital | 42,930 | 21,465 | |
| 00310889 | Wyoming Community Hospital | 0 | 0 | |
| 00310898 | Medina Memorial Hospital | 712 | 356 | |
| 00310903 | Oneida City Hospital | 41,655 | 20,376 | |
| 00313924 | Nathan Littauer Hospital | 6,475 | 3,237 | |
| 00313951 | The Hospital | 3,752 | 1,876 | |
| 00314723 | Chenango Memorial Hospital | 1,161 | 580 | |
| 00314998 | Glens Falls Hospital | 1,346 | 673 | |
| 00315004 | Community General Hospital | 14,044 | 6,736 | |
| 00315013 | St. Joseph's Hospital Health Ctr. | 807 | 403 | |
| 00318805 | Samaritan Hospital - Troy | 17,946 | 8,567 | |
| 00318814 | Champlain Valley Hospital | 7,639 | 2,305 | |
| 00318823 | St. Peter's Hospital | 1,913 | 547 | |
| 00318841 | St. Francis Hospital | 2,125 | 1,062 | |
| 00331851 | St. Mary's Hospital Troy | 4,799 | 1,079 | |
| 00332729 | Tompkins Community Hospital | 21,829 | 7,407 | |
| 00332816 | Ira Davenport Memorial Hospital | 16,091 | 7,677 | |
| 00335557 | Community Hospital Stamford | 1,459 | 729 | |
| 00335566 | Faxton Hospital | 13,112 | 6,556 | |
| 00335915 | Columbia Memorial Hospital | 32,838 | 9,878 | |
| 00336498 | Soldiers & Sailors Memorial Hosp. | 11,200 | 5,600 | |
| 00336952 | Mary McClellan Hospital | 478 | 239 | |
| 00337664 | Our Lady of Lourdes | 0 | 0 | |
| 00340529 | Placid Memorial Hospital | 11,307 | 5,653 | |
| 00347544 | Tri County Memorial Hospital | 0 | 0 | |
| 00347553 | Auburn Memorial Hospital | 5,077 | 1,672 | |
| 00347562 | Ellis Hospital | 25,328 | 12,664 | |
| 00347571 | Delaware Valley Hospital | 4,561 | 2,280 | |
| 00350963 | Myers Community Hospital | 4,941 | 2,470 | |
| 00351639 | St. Mary's Hospital Amsterdam | 850 | 0 | |
| 00352534 | Rome Hospital | 59,245 | 27,793 | |

SCHEDULE OF NON-RECOVERED AMOUNTS

| PROVIDER NO. | HOSPITAL NAME | TOTAL AMOUNT NOT RECOVERED | NON-RECOVERED FEDERAL SHARE | REMARKS |
|--------------|--------------------------------------|-------------------------------|--------------------------------|---------|
| 00354072 | A Barton Hepburn Hospital | 28,335 | 13,186 | |
| 00354081 | A Lindsay Olive O'Connor Hospital | 11,738 | 5,869 | |
| 00354090 | Adirondak Regional Hospital | 1,639 | 819 | |
| 00354105 | Albert Lindley Lee Memorial Hospital | 8,792 | 4,396 | |
| 00354114 | Alice Hyde Memorial Hospital | 5,261 | 2,139 | |
| 00354123 | Arnold Gregory Memorial Hospital | 8,228 | 4,114 | |
| 00354150 | Bertrand Chaffee Hospital | 0 | 0 | |
| 00354187 | Buffalo Columbus Hospital | 54,915 | 25,803 | |
| 00354196 | Canton Potsdam Hospital | 452 | 0 | |
| 00354201 | Clifton Fine Hospital | 6,550 | 3,275 | |
| 00354229 | Community Memorial Hospital | 27,404 | 13,702 | |
| 00354238 | Cuba Memorial Hospital | 1,108 | 554 | |
| 00354256 | Edward Noble Hospital Gouver | 886 | 0 | |
| 00354265 | Edward Noble Hospital Alexander | 14,606 | 7,303 | |
| 00354274 | Elizabethtown Community Hospital | 1,269 | 634 | |
| 00354283 | Genesee Memorial Hospital | 1,112 | 556 | |
| 00354307 | Highland Hospital | 17,092 | 8,546 | |
| 00354316 | House of the Good Samaritan | 7,397 | 3,405 | |
| 00354325 | InterCommunity Mem. Hosp. Newfane | 0 | 0 | |
| 00354343 | Kenmore Mercy Hospital | 1,167 | 583 | |
| 00354361 | Lake Shore Hospital | 1,329 | 0 | |
| 00354370 | Lewis Co. General Hospital | 86,201 | 43,100 | |
| 00354389 | Lockport Memorial Hospital | 5,980 | 2,629 | |
| 00354398 | Massena Memorial Hospital | 11,906 | 5,953 | |
| 00354403 | Jones Memorial Hospital | 35,841 | 17,627 | |
| 00354412 | Mercy Hospital of Buffalo | 3,034 | 638 | |
| 00354430 | Mohawk Valley General Hospital | 2,788 | 697 | |
| 00354449 | Mt. St. Mary's Hospital | 5,886 | 0 | |
| 00354458 | Newark Wayne Community Hospital | 0 | 0 | |
| 00354467 | Niagara Falls Medical Ctr. | 19,183 | 7,987 | |
| 00354476 | Nicholas Noyes Memorial Hospital | 8,128 | 3,794 | |
| 00354485 | Oswego Hospital | 224,074 | 108,263 | |
| 00354494 | Our Lady of Victory Hospital | 191,983 | 95,991 | |
| 00354518 | Roswell Park Memorial | 98,997 | 41,874 | |
| 00354545 | Sheehan Memorial Hospital | 38,539 | 12,546 | |
| 00354563 | Sisters of Charity Hospital | 1,524 | 762 | |
| 00354572 | St. Jerome Hospital | 41,151 | 13,147 | |
| 00354581 | St. Joseph InterCommunity Hospital | 1,483 | 741 | |
| 00354590 | Upstate Medical Center | 471 | 0 | |
| 00354614 | Westfield Memorial Hospital | 1,400 | 700 | |
| 00354623 | Womans' Christian Association | 33,811 | 13,681 | |
| 00354632 | Olean General Hospital | 1,945 | 571 | |
| 00354641 | Clifton Springs Hospital | 809 | 404 | |
| 00360614 | Children's Hospital of Buffalo | 41,062 | 20,531 | |
| 00360650 | St. Mary's Hospital Rochester | 20,623 | 9,614 | |
| 00360921 | Emma Laing Stevens Hospital | 391 | 195 | |
| 00360930 | Moses Ludington Hospital | 9,593 | 4,796 | |
| 00361720 | Sunnyview Hospital | 0 | 0 | |
| 00361739 | Corning Hospital | 79,634 | 38,106 | |
| 00361748 | St. Clares Hospital | 3,428 | 1,714 | |
| 00361968 | Buffalo General Hospital | 24,681 | 7,743 | |
| 00362529 | F F Thompson Hospital | 1,495 | 747 | |
| 00363126 | St. Joseph's Hospital Elmira | 15,497 | 7,748 | |
| 00363135 | Tioga General Hospital | 463,811 | 226,070 | |
| 00363144 | Schuyler Hospital | 1,473 | 736 | |
| 00363153 | Salamanca Hospital | 20,381 | 3,453 | |
| 00363162 | St. James Mercy Hospital | 34,103 | 16,701 | |
| 00363171 | Jamestown General Hospital | 9,010 | 861 | |
| 00363199 | Arnot Ogden Memorial Hospital | 438 | 219 | |
| 00363213 | General Hospital of Saranac Lake | 0 | 0 | |
| 00364003 | Memorial Hospital | 1,869 | 934 | |
| 00378721 | Park Ridge Hospital | 818 | 136 | |
| 00381420 | Amsterdam Memorial Hospital | 1,533 | 766 | |
| 00381439 | Brooks Memorial Hospital | 777 | 388 | |
| 00383826 | Children's Hospital and Rehab Ctr | 2,937 | 1,468 | |
| 00384309 | St. Lukes Memorial Hospital | 4,803 | 2,401 | |
| 00384643 | Millard Fillmore Hospital | 2,251 | 1,125 | |
| 00614755 | United Health Services | 28,406 | 9,800 | |
| | GRAND TOTAL FOR 148 HOSPITALS | <u>\$3,879,708</u> | <u>\$1,588,758</u> | |

REMARKS

- (1) The non-recovered Federal share for this hospital was \$158,168. However \$148,994 of this amount was disallowed and returned to the Federal Government under a prior audit (CIN A-02-90-01006). Therefore we will not include this amount in our recommended adjustment.
- (2) The non-recovered Federal share for this hospital was \$7,427. However \$5,588 of this amount was disallowed and returned to the Federal Government under a prior audit (CIN A-02-90-01006). Therefore we will not include this amount in our recommended adjustment.

NEW YORK STATE

DEPARTMENT OF SOCIAL SERVICES

40 NORTH PEARL STREET, ALBANY, NEW YORK 12243-0001

Gregory M. Kaladjian
Acting Commissioner



NELSON M. WEINSTOCK
Deputy Commissioner
for Administration

May 25, 1993

HHS/OIG
OFFICE OF AUDIT
NEW YORK REGIONAL OFFICE

JUN 01 1993

RECEIVED

Mr. John Tournour
Regional Inspector General
for Audit Services
Department of Health and Human Services
Region II
Jacob K. Javits Federal Building
26 Federal Plaza
New York, NY 10278

Re: HHS/OIG Final Report: Network
Design Group's (NDG) Medical
Assistance Denials not Recovered by
the State (A-02-93-01007) 93-005

Dear Mr. Tournour:

The findings in the subject report are the responsibility of the State's Department of Health (DOH). We shared the report with that Agency and in its response of May 10th (attached), DOH requested we obtain from the auditors information related to denials made by the Network Design Group (NDG). We are now working with your staff to obtain this information and will forward it to DOH so that they can determine where recoupments should be made.

We do not believe further research is necessary to determine why no inpatient histories existed for the 838 stays denied by NDG in 1989. Our experience with a similar issue in your report 02-92-01009 showed that claims were voided by the providers and correctly reflected on the Credit History File. We believe that the auditors, as part of their review, should have verified that the voided claims were on the Credit History File.

As for the recommendation to develop procedures to ensure that all denial determinations identified by peer review organizations are recovered timely, we already have the necessary procedures in place.

Thank you for the opportunity to comment on the report.

Sincerely,

A handwritten signature in black ink that reads "Nelson M. Weinstock".

Nelson M. Weinstock
Deputy Commissioner
for Administration

Attachment



STATE OF NEW YORK
DEPARTMENT OF HEALTH

APPENDIX B
Page 2 of 3

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

Mark R. Chassin, M.D., M.P.P., M.P.H.
Commissioner

May 10, 1993

Jack Daniels
Quality Assurance and Audit
Bureau of External Audit
Department of Social Services
74 State Street, 3rd Floor
Albany, New York 12243

RE: CIN #A-02-93-01007

Dear Mr. Daniels:

The Department of Health has reviewed the Department of Health and Human Services, Office of the Inspector General's draft audit report, "Review of the Network Design Group's Full and Partial Denials of Medical Assistance Claims That Have Not Been Recovered by New York State" for review determinations made during the period April 1, 1987 to April 30, 1989.

Before responding to the specific recommendations in the audit, it should be pointed out that the 838 inpatient stays that the auditors indicate could not be located were related to full admission denials processed through Computer Science Corporation by the Network Design Group (NDG). This action was taken in the summer of 1989 and the Department of Health provided the auditors with a list of the full denials which were submitted for recoupment.

The auditors indicated to a staff member of the Bureau of Hospital Services that they had reviewed a sample of these full denials but were not able to find any paid claims for these cases. The Department speculated that this was probably the case because once Computer Science Corporation voided the claim, they only maintain it on their file for a year before it is discarded. The Department believes that the auditors should at least reference the fact that they looked at these full denials and, for the most part, could not find the claims associated with these transactions.

The Department of Health did not proceed with the manual recoupment of the partial denials because it had been informed by State Social Services that they were proceeding with the development of an automated recoupment system for both full and partial denials. As discussed above the full denial system was already in place and the partial system was to be put on line in the very near future. Unfortunately, development took much longer than anticipated.

Regarding the specific recommendations that the State recoup the NDG denials from hospitals, the Department of Health does not have the information needed to take this action. The Department no longer contracts with NDG and the current

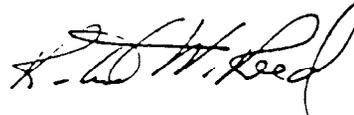
claims history files on these cases are not in our possession. In order for the Department to proceed with this recoupment effort, the Department of Social Services is requested to meet with the federal auditors and ask them to provide at a minimum, the following:

1. Computer tape of all the paid claims which they believe are subject to recoupment as a result of NDG denials;
2. The written denials provided to them by either the Bureau of Hospital Services, NDG, the Bureau of MMIS, or Social Services used to determine which claims required recoupment.

Once the Department has this information, it will attempt to work with Island Peer Review Organization, (IPRO), the current peer review review agent, and the hospitals to recoup these denials where appropriate. It should be pointed out that IPRO conducted a large number of appeals of NDG cases subsequent to the termination of NDG's contract. To avoid duplication the Department will have to determine if some of these denials were not reversed on appeal by IPRO.

If there are questions about the information needed from the Office of the Inspector General, inquiries should be directed to Mr. Gerald Stenson, Principal Medical Care Administrator, at 473-7556.

Sincerely,



Robert W. Reed
Director
Fiscal Management Group

cc: Mr. Sweeney
Mr. VanDeCarr
Mr. Hartman
Ms. Rehak
Mr. Osten
Mr. Heigel
Mr. Stenson
Dr. Guy