



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
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September 22, 2010

Report Number: A-01-10-00006

JudyAnn Bigby, MD
Secretary
Executive Office of Health and Human Services
One Ashburton Place
Boston, Massachusetts 02108

Dear Dr. Bigby:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Medicaid Payments at Age Institute of Massachusetts, Inc. for State Fiscal Years 2007 through 2009*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

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If you have any questions or comments about this report, please do not hesitate to call me, or contact Curtis Roy, Audit Manager, at (617) 565-9281 or through email at Curtis.Roy@oig.hhs.gov. Please refer to report number A-01-10-00006 in all correspondence.

Sincerely,

/Michael J. Armstrong/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations (CMCHO)
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Chicago, Illinois 60601
ROchiORA@cms.hhs.gov

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICAID PAYMENTS AT
AGE INSTITUTE OF MASSACHUSETTS,
INC. FOR STATE FISCAL YEARS 2007
THROUGH 2009**



Daniel R. Levinson
Inspector General

September 2010
A-01-10-00006

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, provides fiscal relief to States to protect and maintain State Medicaid programs in a period of economic downturn. For the recession adjustment period (October 1, 2008, through December 31, 2010), the Recovery Act provides an estimated \$87 billion in additional Medicaid funding based on temporary increases in States' Federal medical assistance percentage. Section 5000 of the Recovery Act provides these increases to help avert cuts in health care provider payment rates, benefits, or services and to prevent changes in income eligibility requirements that would reduce the number of individuals eligible for Medicaid.

The Massachusetts Executive Office of Health and Human Services, Office of Medicaid (the State agency) is responsible for administering MassHealth, the Massachusetts Medicaid program, in compliance with Federal and State statutes and administrative policies. The State agency reimburses nursing homes based on an established per diem rate for services provided to Medicaid beneficiaries. Pursuant to Medicaid requirements, the State agency must use certain additional resources that a beneficiary has, including Social Security payments, to reduce its Medicaid payments to nursing homes. The State agency determines the amount of the beneficiary's contribution during the financial eligibility process and enters this amount into its computer system. The beneficiary's contribution is remitted to the nursing home each month.

When the State agency reimburses the nursing home and does not reduce the Medicaid per diem payment to the nursing home by the amount of the beneficiary's contribution, the nursing home could receive overpayments. Pursuant to Medicaid requirements, the nursing home must return any overpayments to the State Medicaid program, which in turn is required to refund the Federal share to the Centers for Medicare & Medicaid Services (CMS) on its Quarterly Statement of Expenditures for the Medical Assistance Program (CMS-64).

Age Institute of Massachusetts, Inc. (AGE) is a Massachusetts provider with four Medicare- and Medicaid-certified nursing homes in Springfield, Chicopee, and Westfield, Massachusetts. The four nursing homes are the Chapin Center, Willimansett Center East, Willimansett Center West, and Governor's Center.

OBJECTIVE

Our objective was to determine whether the State agency made Medicaid payments in accordance with Federal and State requirements to AGE during State fiscal years 2007 through 2009 (July 1, 2006 through June 30, 2009).

SUMMARY OF FINDING

The State agency generally made Medicaid payments in accordance with Federal and State requirements to AGE during our audit period. However, the State agency did not always adjust its Medicaid per diem payments to AGE by the amount of beneficiaries' cost-of-care

contributions from other resources, such as Social Security and pensions. As a result, the State agency's Federal claim was overstated by a total of \$150,612 (\$80,532 Federal share), of which \$58,070 (\$34,262 Federal share) of this amount occurred during the period covered by the Recovery Act. We attributed the incorrect Medicaid payments to clerical and billing errors.

RECOMMENDATIONS

We recommend that the State agency:

- collect overpayments totaling \$150,612 from AGE and refund the \$80,532 Federal share of these overpayments to CMS on its quarterly CMS-64, and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

AGE COMMENTS

In written comments on our draft report, AGE was in agreement with the findings that equal \$150,612. AGE's comments are included in their entirety as Appendix B.

STATE AGENCY COMMENTS

In its comments on our draft report, the State agency was in agreement with both findings. The State agency's comments are included in their entirety as Appendix C.

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INTRODUCTION

BACKGROUND

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, provides fiscal relief to States to protect and maintain State Medicaid programs in a period of economic downturn. For the recession adjustment period (October 1, 2008, through December 31, 2010), the Recovery Act provides an estimated \$87 billion in additional Medicaid funding based on temporary increases in States' Federal medical assistance percentage. Section 5000 of the Recovery Act provides these increases to help avert cuts in health care provider payment rates, benefits, or services and to prevent changes in income eligibility requirements that would reduce the number of individuals eligible for Medicaid.

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administer the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. The Massachusetts Executive Office of Health and Human Services, Office of Medicaid (the State agency) is responsible for administering MassHealth, the Massachusetts Medicaid program, in compliance with Federal and State statutes and administrative policies.

The State agency reimburses nursing homes based on an established per diem rate for services provided to Medicaid beneficiaries. Pursuant to Medicaid requirements, the State agency must use certain additional resources that a beneficiary has, including Social Security payments, to reduce its Medicaid payments to nursing homes. The State agency determines the amount of the beneficiary's contribution to the cost of care during the financial eligibility process and enters this amount into its computer system. The beneficiary's cost-of-care contribution is remitted to the nursing home each month.

When the State agency does not reduce the Medicaid per diem payment to the nursing home by the amount of the beneficiary's contribution, the nursing home could receive overpayments. Pursuant to Medicaid requirements, the nursing home must return the overpayments to the State Medicaid program, which in turn is required to refund the Federal share to CMS on its Quarterly Statement of Expenditures for the Medical Assistance Program (CMS-64).

Age Institute of Massachusetts, Inc. (AGE) is a Massachusetts provider with four Medicare- and Medicaid-certified nursing homes in Springfield, Chicopee, and Westfield, Massachusetts. The four nursing homes are the Chapin Center, Willimansett Center East, Willimansett Center West, and Governor's Center.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency made Medicaid payments in accordance with Federal and State requirements to AGE during State fiscal years 2007 through 2009 (July 1, 2006 through June 30, 2009).

Scope

For the period July 1, 2006 through June 30, 2009, we reviewed Medicaid accounts that were at risk for having overpayments. We limited our review of internal controls to obtaining an understanding of AGE's procedures for reviewing accounts and reporting overpayments to the Medicaid program.

We performed fieldwork from March to August 2010 at AGE in Springfield, Chicopee, and Westfield, Massachusetts; the State agency in Boston, Massachusetts; and the CMS Regional Office in Boston, Massachusetts.

Methodology

To accomplish our objective, we:

- reviewed State and Federal regulations pertaining to overpayments,
- worked with AGE officials to identify credit balances in AGE's accounting records that were potentially created by cost-of-care overpayments,
- reviewed Medicaid remittance advices and patient accounts to determine whether overpayments had occurred,
- determined the cause of the overpayments, and
- coordinated our audit with officials from the State agency.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATIONS

The State agency generally made Medicaid payments in accordance with Federal and State requirements to AGE during our audit period. However, the State agency did not always adjust its Medicaid per diem payments to AGE by the amount of beneficiaries' cost-of-care

contributions from other resources, such as Social Security and pensions. As a result, the State agency's Federal claim was overstated by a total of \$150,612 (\$80,532 Federal share), of which \$58,070 (\$34,262 Federal share) of this amount occurred during the period covered by the Recovery Act. We attributed the incorrect Medicaid payments to clerical and billing errors.

FEDERAL AND STATE MEDICAID REQUIREMENTS

Pursuant to 42 CFR § 435, the State agency must reduce its payment to an institution for services provided to a Medicaid-eligible individual by the amount that remains after adjusting the individual's total income for a personal needs allowance and other considerations that the regulation specifies. MassHealth regulations at 450.316 notes that all resources available to a member, including but not limited to health and casualty insurance, must be coordinated and applied to the cost of medical services provided by MassHealth.

UNADJUSTED NURSING HOME PAYMENTS

The State made 600 overpayments to the four AGE nursing homes on behalf of an average of 17 Medicaid beneficiaries each month during July 1, 2006 through June 30, 2009 (Appendix A). Specifically, the State agency did not adjust its Medicaid payments to AGE by the amount of beneficiaries' cost-of-care contributions from other resources, such as Social Security and pensions.

Example of Medicaid Overpayment for One Beneficiary

Mrs. B was a patient at AGE nursing home during June 2009. Based on her other resources, the State agency calculated Mrs. B's cost-of-care contribution to be \$650 a month. The State agency determined that the nursing home was entitled to a monthly payment of \$4,500. Because of Mrs. B's \$650 cost-of-care contribution, the State agency was responsible for only \$3,850 of the \$4,500 nursing home costs. However, the nursing home received a total of \$5,150 (\$4,500 from the State agency and \$650 from Mrs. B), because the State agency's computer system did not adjust the payment amount to take into consideration for Mrs. B's cost-of-care contribution. Thus, the nursing home received an overpayment of \$650 (\$5,150 minus \$4,500) for Mrs. B's care for the month of June.

AMOUNT OWED FEDERAL GOVERNMENT

As a result of the overpayments, the State agency's Federal claim for Medicaid payments made to AGE for the period July 1, 2006 through June 30, 2009, was overstated by a total of \$150,612 (\$80,532 Federal share).

CAUSE OF UNREPORTED OVERPAYMENTS

We attributed the 600 incorrectly reimbursed Medicaid payments to clerical and billing errors. Massachusetts officials informed us that they have recently implemented a new computer system which will reduce future clerical and billing errors.

RECOMMENDATIONS

We recommend that the State agency:

- collect overpayments totaling \$150,612 from AGE and refund the \$80,532 Federal share of these overpayments to CMS on its quarterly CMS-64, and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

AGE COMMENTS

In written comments on our draft report, AGE was in agreement with the findings that equal \$150,612. AGE's comments are included in their entirety as Appendix B.

STATE AGENCY COMMENTS

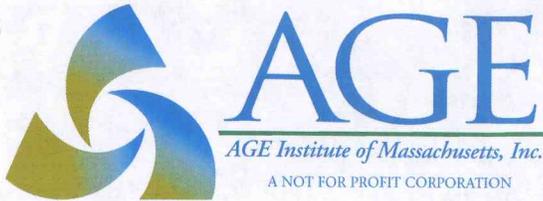
In its comments on our draft report, the State agency was in agreement with both findings. The State agency's comments are included in their entirety as Appendix C.

APPENDIXES

**APPENDIX A: MEDICAID OVERPAYMENTS TO AGE INSTITUTE OF
MASSACHUSETTS, INC., BY STATE FISCAL YEAR**

Fiscal Year	Average Number of Beneficiaries with Overpayments per Month	Number of Overpayments	Total Overpayments
2007	10	120	\$ 24,651
2008	25	300	55,732
2009	15	180	70,229
TOTAL	17	600	\$150,612

APPENDIX B: AGE INSTITUTE OF MASSACHUSETTS, INC. COMMENTS



September 17, 2010

Department of Health and Human Services
Office of Inspector General
Office of Audit Services
Region 1
John F Kennedy Federal Building
Boston, MA 02203

Reference: Report number A-01-10-00006

Dear Mr. Johnson:

We are in receipt of the above referenced report in connection with the review of Medicaid payments and are in agreement with the findings that equal \$150,612 for all Age Institute of Massachusetts, Inc. facilities combined. The scope of this audit was the state fiscal years 2007 through 2009 (July 1, 2006 through June 30, 2009).

Breakdown of totals

<u>Fiscal Year</u>	<u># of overpayments</u>	<u>Total Overpayments</u>
2007	120	\$24,651
2008	300	\$55,732
2009	180	<u>\$70,229</u>
Total	600	\$150,612

We are also under the understanding that your report will be sent to the State of Massachusetts with the recommendation that they collect the overpayment of \$150,612. Per your report; the overpayments were primarily caused due to clerical and billing errors by the State of Massachusetts.

Any questions or comments please contact Chris Collins at 561-801-7592 or email ccollins@airamidfs.com.

On behalf of Age Institute of Massachusetts, Inc.,

A handwritten signature in black ink that reads "Debra Howe". The signature is stylized and cursive.

Debra Howe
Managing Agent

Two Bala Plaza, Suite 300
Bala Cynwyd, PA 19004

APPENDIX C: STATE AGENCY COMMENTS



DEVAL L. PATRICK
Governor

TIMOTHY P. MURRAY
Lieutenant Governor

JUDYANN BIGBY, M.D.
Secretary

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Office of Medicaid
One Ashburton Place
Boston, MA 02108

MassHealth

August 24, 2010

Michael J. Armstrong
Regional Inspector General, Audit Services
HHS/OIG/OAS
Region I
JFK Federal Building
Boston, MA 02203

RE: Audit Report No: A-01-10-00006

Dear Mr. Armstrong,

Thank you for the opportunity to review and comment on Draft Audit Report No.: A-01-10-00006
Review of Medicaid Payments at Age Institute of Massachusetts, Inc. for State Fiscal Years 2007 -
2009

Our responses to the report's specific recommendations are as follows:

Recommendation:

1) Collect overpayments totaling \$ 150,612 from Age Institute and refund \$ 80,532 Federal share of these payments to CMS on the next quarterly CMS-64.

Response: We are in agreement with this finding and will follow the procedures described in state Medicaid regulations at 130 CMR 450.237 to collect the overpayments from the provider. Under 130 CMR 450.237, the provider has a due process right to contest the overpayment, including the right to request an adjudicatory hearing and judicial review. We will need the OIGs workpapers identifying the specific claims in order to undertake collection of the overpayments and to defend any challenge to collection by the provider. If the provider does not contest the overpayment collection or its contest to the overpayment does not succeed, we will work with EOHHS' Federal Revenue Unit to return the Federal share on the appropriate CMS-64.

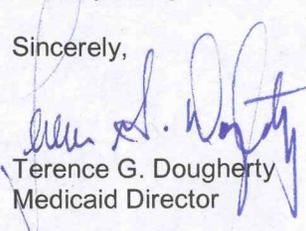
Recommendation:

2) Continue agency efforts to ensure that Medicaid overpayments to nursing homes are identified, collected and refunded.

Response: We are in agreement with this finding and will ensure that periodic reviews and audits are conducted to identify, collect and refund overpayments.

Thank you, again, for the opportunity to respond to the draft report.

Sincerely,


Terence G. Dougherty
Medicaid Director