



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION I
JFK FEDERAL BUILDING
15 NEW SUDBURY STREET, ROOM 2425
BOSTON, MA 02203

March 26, 2012

Report Number: A-01-11-00005

Mr. Steven M. Costantino
Secretary
Executive Office of Health and Human Services
Louis Pasteur Building
600 New London Avenue
Cranston, Rhode Island 02920

Dear Mr. Costantino:

Enclosed is the U.S. Department of Health and Human Services, Office of Inspector General (OIG), final report entitled *Rhode Island Did Not Always Comply With State Requirements on Medicaid Payments for Hospice Services*. 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.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

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-01-11-00005 in all correspondence.

Sincerely,

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

Enclosure

Direct Reply to HHS Action Official:

Ms. Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601
ROchiORA@cms.hhs.gov

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RHODE ISLAND DID NOT
ALWAYS COMPLY WITH STATE
REQUIREMENTS ON MEDICAID
PAYMENTS FOR HOSPICE SERVICES**



Daniel R. Levinson
Inspector General

March 2012
A-01-11-00005

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 Rhode Island Executive Office of Health and Human Services, Office of Medicaid (State agency), is responsible for administering the Rhode Island Medical Assistance Program, the Rhode Island Medicaid program, in compliance with Federal and State statutes and administrative policies. State agencies have the option of offering hospice care as a benefit to eligible Medicaid members.

A hospice is a public agency or private organization or a subdivision of either that is primarily engaged in providing care to terminally ill individuals. When hospice care is furnished to a beneficiary residing in a nursing facility, the hospice and nursing facility enter into written agreement under which the hospice takes full responsibility for the professional management of the beneficiary's hospice services and the nursing facility agrees to provide room and board.

In Rhode Island, the State agency reimburses hospices at payment equal to 95 percent of the room and board per diem rate that it would have paid to nursing facilities for beneficiaries not receiving hospice care. Federal regulations require the State agency to use certain additional financial resources that beneficiaries have to reduce Medicaid payments to the hospice.

The State agency made hospice payments totaling \$61,582,943 for 18,235 claims during State fiscal years 2007 through 2009 (July 1, 2006, through June 30, 2009). We limited our review to 1,350 monthly hospice room and board claims totaling \$5,693,061 that we identified as having a high risk of payment error during State fiscal years 2007 through 2009.

OBJECTIVE

Our objective was to determine whether the State agency made Medicaid payments to Rhode Island hospices in accordance with State and Federal requirements.

SUMMARY OF FINDING

The State agency did not always make Medicaid payments for hospice services in accordance with State requirements. Specifically, the State agency did not use the correct nursing home per diem rate for 185 of the 1,350 hospice room and board claims (14 percent) we reviewed. As a result, the State agency's claim for hospice room and board services was overstated by a net amount of \$9,255 (\$5,748 Federal share).

The incorrect hospice payments occasionally occurred because the State agency did not always follow its procedures to ensure that the correct per diem amounts were always entered into the claims processing system.

RECOMMENDATIONS

We recommend that the State agency:

- adjust its Federal claim by \$5,748 for the incorrect per diem amounts and
- strengthen internal controls to ensure that payments for hospice claims are based on the correct per diem amounts.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our findings and recommendations. The State agency's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Pursuant to Title XIX of the Social Security 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) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

The Rhode Island Executive Office of Health and Human Services, Office of Medicaid (State agency), is responsible for administering the Rhode Island Medical Assistance program, the Rhode Island Medicaid program.

Hospice Care

Hospice care is an optional benefit under the Medicaid program. A hospice is a public agency or private organization or a subdivision of either that is primarily engaged in providing care to terminally ill individuals. The hospice must provide services for the palliation and management of the terminal illness and related conditions. All services must be performed by appropriately qualified personnel, but the nature of the service, rather than the qualifications of the person who provides it, determines the reimbursement for the category of the service. Medicaid payments for hospice care are made at one of four prospective rates for routine home care, continuous home care, inpatient respite care, or general inpatient care. In addition, hospices can also receive a partial payment for the room and board of hospice patients residing in nursing facilities.

Nursing Facilities' Role in Hospice

Hospices and nursing facilities enter into written agreements under which the hospice takes full responsibility for the professional management of a beneficiary's hospice services and the nursing facility agrees to provide room and board. Room and board includes the provision of a room and meals as well as activities such as the administration of medication, maintaining the cleanliness of the beneficiary's room, and supervision and assistance in the use of durable medical equipment. The nursing facility subsequently bills the hospice for the room and board provided to beneficiaries receiving hospice care. The hospice then bills the State agency for these room and board costs. The State agency subsequently reimburses hospices 95 percent of the room and board per diem rate that it would have paid to nursing facilities for beneficiaries not receiving hospice care.

Hospice Billing

The State agency, pursuant to Federal requirements, must use certain additional financial resources that a beneficiary has to reduce Medicaid payments to hospices. These resources

include Social Security and health and casualty insurance payments. When the State agency uses an incorrect room and board per diem rate or reduces the Medicaid payment to a hospice by an incorrect amount for the beneficiary's contribution, the hospice could receive either an overpayment or an underpayment.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency made Medicaid payments to Rhode Island hospices in accordance with State and Federal requirements.

Scope

We limited our review to Medicaid hospice paid claims that were subject to the State agency payment requirements. The State agency made hospice payments totaling \$61,582,943 for 18,235 claims submitted by 10 hospices during State fiscal years (FY) 2007 through 2009 (July 1, 2006, through June 30, 2009). We limited our review to 1,350 monthly hospice room and board claims totaling \$5,693,061 that we identified as having a high risk of payment error during State FYs 2007 through 2009. Specifically, we limited our review to hospice room and board claims that appeared not to have been reduced by the beneficiaries' financial contributions.

In performing our review, we established reasonable assurance that the claims data was accurate. We did not, however, assess the completeness of the Rhode Island paid claims file from which we obtained the data. We limited our review of internal controls to obtaining an understanding of State agency's procedures for billing and refunding overpayments of nursing home room and board services provided to hospice beneficiaries.

We performed fieldwork in January through November 2011 at the State agency in Cranston, Rhode Island, and the Centers for Medicare & Medicaid Services Regional Office in Boston, Massachusetts.

Methodology

To accomplish our objective, we:

- reviewed Federal and State hospice and nursing home requirements;
- held discussions with State agency officials to gain an understanding of the hospice program and the State agency's role in making hospice payments;
- evaluated State agency payment files to identify 18,235 beneficiary monthly claims totaling \$61,582,943 paid to 10 hospices for hospice services provided to Medicaid beneficiaries in State FYs 2007 through 2009;

- identified 1,350 room and board claims totaling \$5,693,061 as having a high risk of payment error, because these claims appeared not to have been reduced by the beneficiaries' financial contributions;
- reviewed State agency claims data to validate payment information and determine whether the sampled claims were billed correctly to the State agency at 6 out of 10 hospices; and
- discussed the findings with the State agency and CMS.

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 RECOMMENDATION

The State agency did not always make Medicaid payments for hospice services in accordance with State requirements. Specifically, the State agency did not use the correct nursing home per diem rate for 185 of the 1,350 hospice room and board claims (14 percent) we reviewed. As a result, the State agency's claim for hospice room and board services was overstated by a net amount of \$9,255 (\$5,748 Federal share).

The incorrect hospice payments occasionally occurred because the State agency did not always follow its procedures to ensure that the correct per diem amounts were always entered into the claims processing system.

STATE MEDICAID REQUIREMENTS

The State of Rhode Island and Providence Plantations Department of Human Services *Principles of Reimbursement for Nursing Facilities Manual* states that the State agency will pay for nursing facility services based on annual per diem rates. These per diem rates are adjusted in the interim, if necessary, through the results of a desk or field audit. Nursing homes are notified of the rate changes by letters from the State agency.

The Rhode Island Department of Human Services *Medical Assistance Program Hospice Manual* states that the hospice care provider will bill the Rhode Island Medical Assistance Program for 95 percent of the current nursing home per diem rate for the beneficiary's room and board while the beneficiary resides in a nursing facility.

INCORRECT HOSPICE PAYMENTS

The State agency did not always use the correct per diem rate when making payments for hospice claims. Instead, the State agency occasionally made payments to the hospices based on

a higher or lower rate submitted by the hospice provider rather than the current rate established by the State agency. This resulted in 121 overpayments and 64 underpayments.

An Example of a Medicaid Underpayment

Mr. A was a hospice beneficiary residing in nursing home B for 20 days during December 2006. Based on his other resources, the State agency calculated Mr. A's beneficiary contribution to be \$400. The State agency used Mr. A's \$400 beneficiary contribution and the nursing home per diem rate of \$190, which was effective July 2006, to calculate a hospice payment of \$3,210. However, the State agency should have used the current nursing home per diem rate of \$200, which was effective in October 2006, and reimbursed the hospice \$3,400. Thus, the hospice received an underpayment of \$190 (\$3,400 minus \$3,210).

AMOUNT OWED TO THE FEDERAL GOVERNMENT

As a result of the State agency's occasional use of incorrect per diem rates, the State agency's Federal claim for hospice room and board services was overstated by a net amount of \$9,255 (\$5,748 Federal share).

CAUSE OF INCORRECT HOSPICE PAYMENTS

The incorrect hospice payments occasionally occurred because the State agency did not always follow its procedures to ensure that the correct per diem amounts were always entered into the claims processing system.

RECOMMENDATIONS

We recommend that the State agency:

- adjust its Federal claim by \$5,748 for the incorrect per diem amounts and
- strengthen internal controls to ensure that payments for hospice claims are based on the correct per diem amounts.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our findings and recommendations. The State agency's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: STATE AGENCY COMMENTS



Steven M. Costantino

Secretary of Health and Human Services
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
57 Howard Avenue, LP Building
Cranston, RI 02920
401-462-5274

March 2, 2012

Report Number: A-01-11-00005

Michael J. Armstrong
Regional Inspector General for Audit Services
Office of Inspector General
Department of Health and Human Services
John F. Kennedy Building, Room 2425
Boston, MA 02203

Dear Mr. Armstrong:

This letter responds to the your request for written comments on the review of the draft report on Medicaid hospice payments made by Rhode Island for State Fiscal Years 2007 through 2009 (Report Number: A-01-11-00005). Our comments in response to the recommendations are:

Finding

The state agency did not always make Medicaid payments for hospice services in accordance with State requirements. Specifically, the State agency did not use the correct nursing home per diem rate for 185 of the 1,350 hospice room and board claims (14%) we reviewed. As a result, the State agency's claim for hospice room and board services was overstated by a net amount of \$9,255 (\$5,748 Federal share).

The incorrect hospice payments occasionally occurred because the State agency did not always follow its procedures to ensure that the correct per diem amounts were always entered into the claims processing system.

Recommendation:

1. Adjust its Federal claim by \$5,748 for the incorrect per diem amounts, and
2. Strengthen internal controls to ensure that payments for hospice claims are based on the correct per diem amounts.

Mr. Michael A. Armstrong
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Rhode Island Medicaid Response:

Hospice room and board claims payment is based upon 95% of the Nursing Home rate that is on file at the time the hospice claim is received. It is common to receive retro-active rate changes for Nursing Home rates. The retro-active nursing home rate change would include a mass adjustment for nursing home claims to adjust the per diem for nursing home claims back to the effective date of the change. At present, hospice room and board claims are not adjusted when a nursing home rate is changed retro-actively. As a result, the rate paid to the hospice does not reflect the nursing home rate when a rate change has taken place.

Corrective Action:

1. The State concurs with the finding and will adjust its Federal claim by \$5,748.
2. The State will strengthen internal controls through:
 - a. the inclusion of hospice in the mass adjustment retro rate changes when a nursing home rate change is received.
 - b. the planned implementation of new nursing home reimbursement methodologies that will ensure rate changes occur on an annual or semi-annual prospective basis, thereby alleviating the need for retrospective adjustments.

Thank you for the opportunity to comment. I also want to recognize the thoroughness of the audit team and the approach the team took in this review. The team led by Curtis Roy and John Sullivan made every effort to keep the State informed of the status of the review and ensured that the information on which findings were based was the correct information.

If you have any questions or need additional information, please do not hesitate to contact Elena Nicolella at 401.265.0419 or through e-mail at ENicolella@ohhs.ri.gov.

Sincerely,



Steven M. Costantino

SMC/lcs