



DEPARTMENT OF HEALTH AND HUMAN SERVICES

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**OFFICE OF INSPECTOR GENERAL**



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

June 25, 2012

Report Number: A-01-12-00003

JudyAnn Bigby, MD  
Secretary  
Executive Office of Health and Human Services  
One Ashburton Place, 11th Floor  
Boston, MA 02108

Dear Dr. Bigby:

Enclosed is the U.S. Department of Health and Human Services, Office of Inspector General (OIG), final report entitled *Massachusetts Medicaid Payments to Alliance Health of Massachusetts, Inc., Did Not Always Comply With Federal and State Requirements*. 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](mailto:Curtis.Roy@oig.hhs.gov). Please refer to report number A-01-12-00003 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

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**MASSACHUSETTS MEDICAID  
PAYMENTS TO ALLIANCE  
HEALTH OF MASSACHUSETTS,  
INC., DID NOT ALWAYS COMPLY  
WITH FEDERAL AND STATE  
REQUIREMENTS**



Daniel R. Levinson  
Inspector General

June 2012  
A-01-12-00003

# ***Office of Inspector General***

<http://oig.hhs.gov>

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# *Notices*

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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.

## **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 Massachusetts Executive Office of Health and Human Services, Office of Medicaid (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 a 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 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 Form CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program.

Alliance Health of Massachusetts, Inc. (Alliance), is a Massachusetts provider with three Medicare and Medicaid certified nursing homes located in Lynn, Marblehead, and West Peabody, Massachusetts. The nursing homes are Abbott House, Devereux House, and Rosewood Nursing and Rehabilitation Center. BaneCare Management, LLC, located in Salem, Massachusetts, manages the nursing homes owned by Alliance.

### **OBJECTIVE**

Our objective was to determine whether the State agency made Medicaid payments to Alliance in accordance with Federal and State requirements from January 2006 through December 2011.

### **SUMMARY OF FINDING**

The State agency generally made Medicaid payments in accordance with Federal and State requirements to Alliance. However, the State agency did not always adjust its Medicaid per diem payments to Alliance by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions. As a result, the State agency's Federal claim was overstated by a total of \$15,606 (\$8,860 Federal share). We attributed the incorrect Medicaid payments to clerical and billing errors.

## **RECOMMENDATIONS**

We recommend that the State agency:

- collect overpayments totaling \$15,606 from Alliance and refund the Federal share of \$8,860 and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

## **ALLIANCE HEALTH OF MASSACHUSETTS, INC., COMMENTS**

In written comments on our draft report, Alliance generally agreed with our finding. Alliance's comments are included in their entirety as Appendix B.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State Agency agreed with our finding. The State Agency's comments are included in their entirety as Appendix C.

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## **INTRODUCTION**

### **BACKGROUND**

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) administers 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 (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 Form CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program.

Alliance Health of Massachusetts, Inc. (Alliance), is a Massachusetts provider with three Medicare and Medicaid certified nursing homes located in Lynn, Marblehead, and West Peabody, Massachusetts. The nursing homes are Abbott House, Devereux House, and Rosewood Nursing and Rehabilitation Center. BaneCare Management, LLC, located in Salem, Massachusetts, manages the homes owned by Alliance.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

#### **Objective**

Our objective was to determine whether the State agency made Medicaid payments to Alliance in accordance with Federal and State requirements from January 2006 through December 2011.

#### **Scope**

For the period from January 2006 through December 2011, we reviewed Medicaid accounts that were at risk for having overpayments. We limited our review of internal controls to obtaining an understanding of Alliance's procedures for reviewing accounts and reporting overpayments to the Medicaid program.

We performed fieldwork from February through March 2012 at BaneCare Management, LLC, in Salem, 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 Alliance officials to identify credit balances in the accounting records that were potentially overpayments;
- reviewed 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 Alliance. However, the State agency did not always adjust its Medicaid per diem payments to Alliance by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions. As a result, the State agency's Federal claim was overstated by a total of \$15,606 (\$8,860 Federal share). 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 note 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 21 overpayments to the 3 Alliance nursing homes from January 2006 through December 2011 (see Appendix A). Specifically, the State agency did not adjust its Medicaid payments to Alliance by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions.

### **An Example of a Medicaid Overpayment**

Mrs. D was a patient at Alliance nursing home during August 2009. Based on her other resources, the State agency calculated Mrs. D's cost-of-care contribution to be \$800 a month. The State agency determined that the nursing home was entitled to a monthly payment of \$5,600. Because of Mrs. D's \$800 cost-of-care contribution, the State agency was responsible for only \$4,800 of the \$5,600 nursing home costs. However, the nursing home received a total of \$6,400 (\$5,600 from the State agency and \$800 from Mrs. D). This error occurred because the State agency's computer system did not adjust the payment amount by Mrs. D's cost-of-care contribution. The nursing home, therefore, received an overpayment of \$800 (\$6,400 minus \$5,600) for Mrs. D's care for the month of August.

## **AMOUNT OWED TO THE FEDERAL GOVERNMENT**

As a result of the overpayments, the State agency's Federal claim for Medicaid payments made to Alliance for the period from January 2006 through December 2011 was overstated by a total of \$15,606 (\$8,860 Federal share).

## **CAUSE OF UNREPORTED OVERPAYMENTS**

We attributed the 21 incorrectly reimbursed Medicaid payments to clerical and billing errors. State agency officials informed us that they have recently implemented a new computer system that will reduce future clerical and billing errors.

## **RECOMMENDATIONS**

We recommend that the State agency:

- collect overpayments totaling \$15,606 from Alliance and refund the Federal share of \$8,860 and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

## **ALLIANCE HEALTH OF MASSACHUSETTS, INC., COMMENTS**

In written comments on our draft report, Alliance generally agreed with our finding. Alliance's comments are included in their entirety as Appendix B.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State Agency agreed with our finding. The State Agency's comments are included in their entirety as Appendix C.

# **APPENDIXES**

**APPENDIX A: MEDICAID OVERPAYMENTS TO ALLIANCE  
HEALTH OF MASSACHUSETTS, INC., BY CALENDAR YEAR**

| <b>Calendar<br/>Year</b> | <b>Number of<br/>Overpayments</b> | <b>Total<br/>Overpayments</b> |
|--------------------------|-----------------------------------|-------------------------------|
| 2006                     | 2                                 | \$1,356                       |
| 2008                     | 2                                 | 46                            |
| 2009                     | 5                                 | 1,890                         |
| 2010                     | 1                                 | 7,228                         |
| 2011                     | 11                                | 5,086                         |
| <b>TOTAL</b>             | <b>21</b>                         | <b>\$15,606</b>               |

## APPENDIX B: ALLIANCE HEALTH OF MASSACHUSETTS, INC. COMMENTS



[www.banecare.com](http://www.banecare.com)

[info@banecare.com](mailto:info@banecare.com)

May 8, 2012

**ABBOTT HOUSE  
THE SWAMPSCOTT WING**

28 Essex St.  
Lynn MA 01902  
781-595-5500  
Fax: 781-595-3624

Office of Inspector General  
Office of Audit Services, Region I  
15 New Sudbury Street, Room 2425  
Boston, MA 02293

Report Number: A-01-12-00003

**DEVEREUX HOUSE  
THE MOSAIC PROGRAM**

39 Lafayette St.  
Marblehead, MA 01945  
781-631-6120  
Fax: 781-631-6122

Alliance Health of Massachusetts, Inc was subjected to an accounts receivable audit for the years January 1, 2006 through December 31, 2011. The conducting agency for the audit was the U.S. Department of Health and Human Services, Office of Inspector (OIG). An Internal Control Test was conducted to evaluate the provider's control over financial concerns. In addition to the accounts, certain policies and procedures were reviewed to determine adherence to State and Federal Guidelines.

**ROSEWOOD  
NURSING & REHAB CENTER**

22 Johnson St.  
W. Peabody MA 01960  
978-535-8700  
Fax: 978-535-2300

The amount due to the Commonwealth detailed under 2010 in the amount of \$7,227.68 represents 100% of the amount cited for this payment year; it is due to Medicare and Medicaid paying the same claim.

As an examination of the data will indicate the number of Overpayments to be directly related to the year in which the payment was received ranged from zero (0) to 11 in 2011. This provider will maintain that the audit of 2011 is too early having been completed 2-3 months ago. There are too many issues with the accounts to justify an adjustment to the payment: eligibility for the MCD benefit, effective date of eligibility, the per day rate to be charged, the resource amount, etc. There could be credits on the accounts today that will not be there in the future and we may end up incurring bad debt for payments improperly made to the Commonwealth.

Most of the credits due to the Commonwealth are due to MMQ audits adjusting the per day rate charged for services months following their discharge. Though the provider may send in a void and payment request, few are willing to risk \$3,000 to \$4,000 for the \$150 to \$300.00



credit. We will wait and incur penalty and interest the result of an A/R audit.

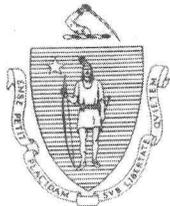
In general we agree with the findings of the OIG. The identified amount of \$15,606 is very small given the time period covered from January 2006 thru December 31, 2011. The review of our internal controls that govern adherence to State and Federal regulations was good as was the review of select policies and procedures.

Yours truly,



George F. Hayden  
Director of Operations  
Bane Care Management

## APPENDIX C: STATE AGENCY COMMENTS



DEVAL L. PATRICK  
Governor

TIMOTHY P. MURRAY  
Lieutenant Governor

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

MassHealth

JUDYANN BIGBY, M.D.  
Secretary

JULIAN J. HARRIS, M.D.  
Medicaid Director

June 7, 2012

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

RE: Audit Report No: A-01-12-00003

Dear Mr. Armstrong,

Thank you for the opportunity to review and comment on Draft Audit Report No: A-01-12-00003, Review of Medicaid Payments at Alliance Health of Massachusetts, Inc. for the period January 2006 through December 2011.

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

**Recommendation:**

1) Collect overpayments totaling \$15,606 from Alliance and refund \$8,860, the Federal share of these payments, to CMS on the next quarterly CMS-64.

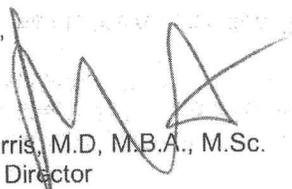
**Response:** We are in agreement with this finding and will follow the procedures described in state Medicaid regulations at 130 CMR 450.237 to collect the overpayments from the provider. Under 130 CMR 450.237, the provider has a due process right to contest the overpayment, including the right to request an adjudicatory hearing and judicial review.

**Recommendation:**

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

**Response:** MassHealth is in agreement with this recommendation and will ensure that periodic reviews and audits continue to be conducted to identify, collect and refund overpayments.

Sincerely,

  
Julian Harris, M.D., M.B.A., M.Sc.  
Medicaid Director