



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

June 25, 2012

Report Number: A-01-12-00004

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 Diocesan Health Facilities 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. Please refer to report number A-01-12-00004 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
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**

**MASSACHUSETTS MEDICAID
PAYMENTS TO DIOCESAN HEALTH
FACILITIES DID NOT ALWAYS
COMPLY WITH FEDERAL AND STATE
REQUIREMENTS**



Daniel R. Levinson
Inspector General

June 2012
A-01-12-00004

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 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.

Diocesan Health Facilities (Diocesan) is a Massachusetts provider with five Medicare and Medicaid certified nursing homes located in Fall River, North Attleboro, Taunton, Fairhaven, and New Bedford, Massachusetts. The nursing homes are Catholic Memorial Home, Madonna Manor, Marian Manor, Our Lady's Haven, and Sacred Heart Home.

OBJECTIVE

Our objective was to determine whether the State agency made Medicaid payments to Diocesan in accordance with Federal and State requirements from January 2008 through December 2011.

SUMMARY OF FINDING

The State agency generally made Medicaid payments in accordance with Federal and State requirements to Diocesan. However, the State agency did not always adjust its Medicaid per diem payments to Diocesan 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 \$48,448 (\$25,325 Federal Share). We attributed the incorrect Medicaid payments to clerical and billing errors.

RECOMMENDATIONS

We recommend that the State agency:

- collect overpayments totaling \$48,448 from Diocesan and refund the Federal share of \$25,325 and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

DIOCESAN HEALTH FACILITIES COMMENTS

In written comments on our draft report, Diocesan agreed with our finding. Diocesan'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.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
OBJECTIVE, SCOPE, AND METHODOLOGY	1
Objective	1
Scope.....	1
Methodology	2
FINDING AND RECOMMENDATIONS	2
FEDERAL AND STATE MEDICAID REQUIREMENTS.....	2
UNADJUSTED NURSING HOME PAYMENTS	3
AMOUNT OWED TO THE FEDERAL GOVERNMENT	3
CAUSE OF UNREPORTED OVERPAYMENTS	3
RECOMMENDATIONS	3
DIOCESAN HEALTH FACILITIES COMMENTS	3
STATE AGENCY COMMENTS.....	4
APPENDIXES	
A: MEDICAID OVERPAYMENTS TO DIOCESAN HEALTH FACILITIES BY CALENDAR YEAR	
B: DIOCESAN HEALTH FACILITIES COMMENTS	
C: STATE AGENCY COMMENTS	

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.

Diocesan Health Facilities (Diocesan) is a Massachusetts provider with five Medicare and Medicaid certified nursing homes located in Fall River, North Attleboro, Taunton, Fairhaven, and New Bedford, Massachusetts. The nursing homes are Catholic Memorial Home, Madonna Manor, Marian Manor, Our Lady's Haven, and Sacred Heart Home.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency made Medicaid payments to Diocesan in accordance with Federal and State requirements from January 2008 through December 2011.

Scope

For the period January 2008 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 Diocesan's procedures for reviewing accounts and reporting overpayments to the Medicaid program.

We performed fieldwork from February through March 2012 at Diocesan in Fall River 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 Diocesan 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 Diocesan. However, the State agency did not always adjust its Medicaid per diem payments to Diocesan 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 \$48,448 (\$25,325 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 83 overpayments to the 5 Diocesan nursing homes from January 2008 through December 2011 (see Appendix A). Specifically, the State agency did not adjust its Medicaid payments to Diocesan by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions.

An Example of a Medicaid Overpayment

Mr. E was a patient at Diocesan nursing home during August 2009. Based on his other resources, the State agency calculated Mr. E's cost-of-care contribution to be \$1,000 a month. The State agency determined that the nursing home was entitled to a monthly payment of \$5,900. Because of Mr. E's \$1,000 cost-of-care contribution, the State agency was responsible for only \$4,900 of the \$5,900 nursing home costs. However, the nursing home received a total of \$6,900 (\$5,900 from the State agency and \$1,000 from Mr. E). This error occurred because the State agency's computer system did not adjust the payment amount by Mr. E's cost-of-care contribution. The nursing home, therefore, received an overpayment of \$1,000 (\$6,900 minus \$5,900) for Mr. E'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 Diocesan for the period from January 2008 through December 2011 was overstated by a total of \$48,448 (\$25,325 Federal share).

CAUSE OF UNREPORTED OVERPAYMENTS

We attributed the 83 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 \$48,448 from Diocesan and refund the Federal share of \$25,325 and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

DIOCESAN HEALTH FACILITIES COMMENTS

In written comments on our draft report, Diocesan agreed with our finding. Diocesan'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 DIOCESAN HEALTH FACILITIES BY CALENDAR YEARS

Calendar Year	Number of Overpayments	Total Overpayments
2008	13	7,039
2009	9	1,133
2010	12	4,453
2011	49	35,823
TOTAL	83	\$48,448

APPENDIX B: DIOCESAN HEALTH FACILITIES COMMENTS

Diocesan Health Facilities

Roman Catholic Diocese of Fall River

368 North Main Street

Fall River, MA 02720

p 508-679-8154

f 508-679-1422

www.dhfo.org

Rev. Msgr. Edmund J. Fitzgerald

Executive Director

April 26, 2012

Mr. Michael J. Armstrong
Regional Inspector General for Audit Service
Department of Health and Human Services
Office of Audit Services, Region I
JFK Federal Building
15 New Sudbury Street, Room 2425
Boston, Massachusetts 02203

Re: Report Number: A-01-12-00004

Dear Mr. Armstrong:

These comments are in regard to Report A-01-12-00004. While we do agree with the number of claims and the overpayment amount indicated in the report, we have had many claims that have already been recouped by the State of Massachusetts. The following are the claims and amounts, by year, that have been returned to the state:

2008 – 5 claims with a recoupment total of \$4,069.38

2009 & 2010 – 0 claims have been recouped

2011 - 38 claims with a recoupment total of \$32,513.34

The revised reported totals should be as follows:

2008 – 8 claims \$2,969.62

2009 & 2010 – no change as reported

2011 – 11 claims \$3,309.66

The remaining total owed to the State of Massachusetts is \$10,845.28. We would request that the report note the changes as stated above.

Per your request, an electronic copy of this response has also been sent to Mr. Curtis Roy at Curtis.Roy@oig.hhs.gov.

If you have any questions, please feel free to contact me. Thank you.

Sincerely,

Susan L. Caldwell
Director of Operations
SLC:mlo

Bethany House

Adult Day Health Care

Taunton

Catholic Memorial Home

Fall River

EldersFirst

Fall River

Madonna Manor

North Attleboro

Marian Manor

Taunton

Our Lady's Haven

Fairhaven

Sacred Heart Home

New Bedford



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*



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-01-12-00004

Dear Mr. Armstrong,

Thank you for the opportunity to review and comment on Draft Audit Report No: A-01-12-00004, Review of Medicaid Payments at Diocesan Health Facilities for the period January 2008 through December 2011.

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

Recommendation:

1) Collect overpayments totaling \$48,448 from Diocesan and refund \$25,325, 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.

Diocesan Health Facilities submitted a letter stating that claims in the amount of \$37,602.72, subject to this audit had already been recouped by MassHealth (See Appendix "B"). OIG has not been able to confirm that this amount has been recouped by MassHealth, therefore MassHealth will take the necessary steps to confirm this amount as part of the recoupment process.

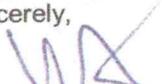
MassHealth will need the OIGs working papers identifying the specific claims in order to 1) confirm that these overpayments have already been recouped, or 2) undertake collection of the overpayments, notify Alliance and if required, defend the overpayment amounts should Alliance contest the overpayment notice. If Diocesan does not contest the overpayment collection or does not prevail in contesting this overpayment, MassHealth will ensure that the EOHHS' Federal Revenue Unit will return the Federal share on the appropriate CMS-64.

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