



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 26, 2012

Report Number: A-01-12-00007

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 Redstone Rehabilitation and Nursing Center 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-01-12-00007 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 REDSTONE
REHABILITATION AND NURSING
CENTER DID NOT ALWAYS COMPLY
WITH FEDERAL AND STATE
REQUIREMENTS**



Daniel R. Levinson
Inspector General

July 2012
A-01-12-00007

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

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.

Redstone Rehabilitation and Nursing Center (Redstone), located in East Longmeadow, Massachusetts, is a Medicare and Medicaid certified facility.

OBJECTIVE

Our objective was to determine whether the State agency made Medicaid payments to Redstone in accordance with Federal and State requirements from January 2006 through March 2012.

SUMMARY OF FINDING

The State agency generally made Medicaid payments in accordance with Federal and State requirements to Redstone. However, the State agency did not always adjust its Medicaid per diem payments to Redstone 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 \$65,349 (\$37,429 Federal Share). We attributed the incorrect Medicaid payments to clerical and billing errors.

RECOMMENDATIONS

We recommend that the State agency:

- collect overpayments totaling \$65,349 from Redstone and refund the Federal share of \$37,429 and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

REDSTONE REHABILITATION AND NURSING CENTER COMMENTS

In written comments on our draft report, Redstone agreed with our finding. Redstone'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
REDSTONE REHABILITATION AND NURSING CENTER COMMENTS	3
STATE AGENCY COMMENTS.....	4
 APPENDIXES	
A: MEDICAID OVERPAYMENTS TO REDSTONE REHABILITATION AND NURSING CENTER BY CALENDAR YEAR	
B: REDSTONE REHABILITATION AND NURSING CENTER 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.

Redstone Rehabilitation and Nursing Center (Redstone), located in East Longmeadow, Massachusetts, is a Medicare and Medicaid certified facility.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency made Medicaid payments to Redstone in accordance with Federal and State requirements from January 2006 through March 2012.

Scope

For the period January 2006 through March 2012, we reviewed Medicaid accounts that were at risk for having overpayments. We limited our review of internal controls to obtaining an understanding of Redstone's procedures for reviewing accounts and reporting overpayments to the Medicaid program.

We performed fieldwork from April through May 2012 at Redstone in East Longmeadow, 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 Redstone 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 Redstone. However, the State agency did not always adjust its Medicaid per diem payments to Redstone 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 \$65,349 (\$37,429 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 164 overpayments to Redstone from January 2006 through March 2012 (see Appendix A). Specifically, the State agency did not adjust its Medicaid payments to Redstone by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions.

An Example of a Medicaid Overpayment

Mr. F was a patient at Redstone nursing home during February 2010. Based on his other resources, the State agency calculated Mr. F's cost-of-care contribution to be \$900 a month. The State agency determined that the nursing home was entitled to a monthly payment of \$4,900. Because of Mr. F's \$900 cost-of-care contribution, the State agency was responsible for only \$4,000 of the \$4,900 nursing home costs. However, the nursing home received a total of \$5,800 (\$4,900 from the State agency and \$900 from Mr. F). This error occurred because the State agency's computer system did not adjust the payment amount by Mr. F's cost-of-care contribution. The nursing home, therefore, received an overpayment of \$900 (\$5,800 minus \$4,900) for Mr. F's care for the month of February.

AMOUNT OWED TO THE FEDERAL GOVERNMENT

As a result of the overpayments, the State agency's Federal claim for Medicaid payments made to Redstone for the period January 2006 through March 2012 was overstated by a total of \$65,349 (\$37,429 Federal share).

CAUSE OF UNREPORTED OVERPAYMENTS

We attributed the 164 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 \$65,349 from Redstone and refund the Federal share of \$37,429 and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

REDSTONE REHABILITATION AND NURSING CENTER COMMENTS

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

STATE AGENCY COMMENTS

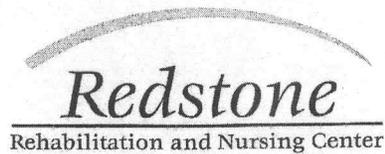
In written comments on our draft report, the State agency agreed with our finding. The State agency's comments are included in their entirety as Appendix C.

APPENDIXES

**APPENDIX A: MEDICAID OVERPAYMENTS TO REDSTONE
REHABILITATION AND NURSING CENTER
BY CALENDAR YEAR**

Calendar Year	Number of Overpayments	Total Overpayments
2006	4	1,057
2007	7	1,749
2008	11	1,940
2009	23	3,701
2010	53	27,043
2011	62	26,504
2012	4	3,355
TOTAL	164	\$65,349

135 Benton Drive
East Longmeadow, MA 01028



413.525.3336
Fax 413.525.9814

APPENDIX B: REDSTONE REHABILITATION AND NURSING CENTER COMMENTS

June 26, 2012

Michael Armstrong, Reg. Inspector General for Audit Services
Office of Audit Services, Region 1
JFK federal Building
15 New Sudbury St., Room 2425
Boston, MA 02203

RE: A-01-12-00007 Written Comments

Dear Mr. Armstrong,

While Redstone Rehabilitation and Nursing Center ("Redstone") agrees with the findings in this report, like most long term care providers, it is interested in a more efficient mechanism for confirming and collecting beneficiary contribution amounts that are owed to the Medicaid program by the individual beneficiaries.

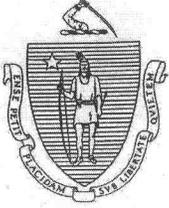
Due to the complexity of Medicaid enrollment for long term care, and delays in establishing eligibility for new and on-going beneficiaries, the state Medicaid MMIS system occasionally displays incomplete or outdated information regarding beneficiary contribution amounts. Although the frequency of this has decreased since the recent MMIS system upgrade, on-going problems and delays still persist.

Delays in calculating and/or updating the beneficiary contribution amounts in the State's MMIS system cause problems for Redstone and other providers in two ways. First, it causes providers to collect incorrect amounts from beneficiaries or their responsible parties. Second, and more relevant since the economic downturn, providers are unable to collect contribution amounts that are increased retroactively. This leaves Redstone and many other providers without any payment source for this portion of the Medicaid rate.

A handwritten signature in black ink, appearing to read "Bryan Rossano".

Bryan Rossano, Administrator
Redstone Rehabilitation and Nursing Center

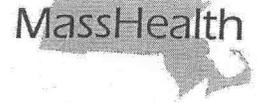
APPENDIX C: STATE AGENCY COMMENTS



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

July 13, 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-01-12-00007

Dear Mr. Armstrong:

Thank you for the opportunity to review and comment on Draft Audit Report No: A-01-12-00007 "Massachusetts Medicaid Payments to Redstone Rehabilitation and Nursing Center Did Not Always Comply with Federal and State Requirements".

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

Recommendation:

1) Collect overpayments totaling \$65,349 from Redstone and refund \$37,429, 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.

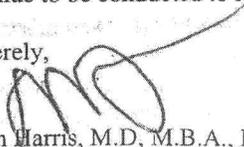
MassHealth will need the OIGs working papers identifying the specific claims in order to undertake collection of the overpayments, notify Redstone and if required, defend the overpayment amounts should Redstone contest the overpayment notice. If Redstone does not contest the overpayment collection or 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